

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
CONCERNING ERRATA TO RESPONSE OF WITNESS MAYES
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T32-17(b) AND (c)) (ERRATUM)

The United States Postal Service hereby files the revised response of witness Mayes to interrogatory OCA/USPS-T32-17(b) and (c), to correct two typographical errors. The reference in the last line of the response to subpart (b) should read "FY 1995", not "FY". In the response to subpart (c), on the second page of the response document, in the first line, the word "my" should read "may".

The revised responses filed today supersede the original April 10, 2000, responses. The interrogatory is stated verbatim and is followed by the revised responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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April 25, 2000

RESPONSES OF POSTAL SERVICE WITNESS MAYES TO OCA INTERROGATORIES

REVISED APRIL 25, 2000

OCA/USPS-T32-17. Please refer to your response to interrogatory OCA/USPS-T32-7. In defending your proposal to increase the relative institutional cost burden on First Class Letters, you state, "Mailers pay rates, not institutional cost burdens, not markups."

- (a) Please provide the unit attributable cost of First Class Letters in 1999 dollars for each year of the period 1995 to 1999 as calculated from CRA reports.
- (b) Did the real unit attributable cost of First Class Letters change over the period 1995 to 1999? If so, what was the direction and magnitude of change?
- (c) Should (and did) a change in real unit attributable cost affect the rate increase proposed for a category of mail? Please explain your response.
- (d) Did the relative share of cost attributed to First Class Letters change over the period 1995 to 1999? If so, what was the direction and magnitude of change?
- (e) Should (and did) a change in the share of attributable cost affect the rate increase proposed for a category of mail? Please explain your response.

Response:

- (a) Please see the table below.

FCM Letters	1995	1996	1997	1998	1999
Nominal Unit Cost	0.195	0.196	0.167	0.165	0.178
Real Unit Cost	0.213	0.208	0.173	0.168	0.178
% Change Real Unit Cost		-2.2%	-17.0%	-2.8%	5.7%

The costs shown for 1997 through 1999 are the volume-variable costs.

- (b) Please refer to the chart attached in response to subpart (a) above. The FY 1999 unit cost for First-Class Letters in 1999 dollars is 16.6 percent lower than the FY 1995 unit cost for First-Class Letters in 1999 dollars.
- (c) Not necessarily. It depends on how the "category of mail" is measured and defined. The "category of mail" to which your questions refer is First-Class Letters which is composed of single-piece letters and workshared letters. A change in the real unit attributable cost for an aggregated

Response to OCA/USPS-T32-17, cont'd

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"category of mail" may not reflect decreasing costs for subcategories of mail within the defined category, but may be caused by a shift in mail mix within the "category of mail." This shift in mail mix may also change the real unit revenue for the aggregated "category of mail", resulting in an unchanged cost coverage or a changed cost coverage which, in the context of the extant system of cost coverages, is deemed to satisfy the pricing criteria. Changes in costs – not necessarily unit costs – may result in changes in the before-rates cost coverage for a subclass such that consideration of the pricing criteria in support of the goal of achieving financial breakeven in a given test year would suggest that a change in the rates is necessary to realign the revenue with the cost for that subclass.

- (d) I can only compare the attributable cost figures for the years 1995 through 1996 to the volume variable costs reported for First Class Letters for the years 1997 through 1999. Over the period of time that you have selected to consider, the share of costs (attributable or volume variable) associated with First Class Letters decreased from 53.3% in 1995 to 46.0% in 1999.
- (e) Not necessarily. Please refer to my response to subpart (c) above. Examination of the "share of attributable cost" in isolation from the associated share of revenue would not be useful. It would be – and was – useful to examine the shares of both revenue and cost in the test year both before and after rates in order to appropriately assign cost coverage

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Response to OCA/USPS-T32-17, cont'd

targets to all subclasses in accordance with the pricing criteria and the desire to achieve financial breakeven in the test year after rates.

DECLARATION

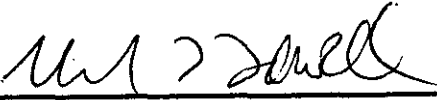
I, Virginia J. Mayes, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


Virginia J. Mayes

Dated: 4-25-00

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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