

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

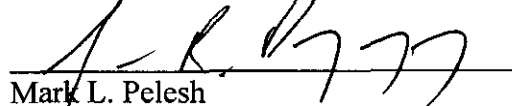
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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R2000-1

POSTAL RATE AND FEE CHANGES, 2000)

**INTERROGATORIES OF
ASSOCIATION OF AMERICAN PUBLISHERS
TO USPS WITNESS PATELUNAS AAP/USPS-ST44-16**

Pursuant to Section 25 and 26 of the Commission's Rules of Practice and Procedure, the Association of American Publishers (AAP), hereby submits the following interrogatories and request for production of documents to USPS witness Patelunas (USPS-ST-44). If the designated witness is unable to respond to any interrogatory, or any part therein, we request a response by some other qualified witness.

Respectfully submitted,

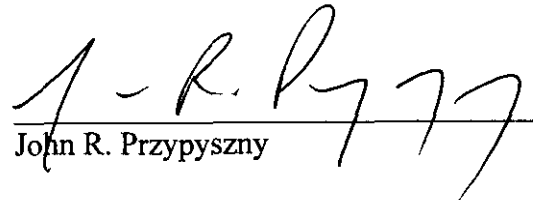


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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document, by First-Class Mail, upon the participants in this proceeding.



John R. Przepyszny

Date: July 19, 2000

**INTERROGATORIES OF
ASSOCIATION OF AMERICAN PUBLISHERS
TO UNITED STATES POSTAL SERVICE WITNESS PATELUNAS**

AAP/USPS-ST44-1 On page 1 (lines 1-3) of your testimony, you state that your testimony presents the “changes in the Postal Service’s Docket No. R2000-1 revenue requirement that result from utilizing FY99 actual audited accounting data and costs by class of mail as the base year.” Please describe and provide any and all changes in the Postal Service’s proposed rates for Bound Printed Matter (“BPM”) that the Postal Service has made that result from utilizing FY99 actual audited accounting data and costs by class of mail. If the USPS is proposing no changes in its proposed rates for BPM in this case, please so state.

AAP/USPS-ST44-2 On page 5 (lines 1-3) of your testimony, you state that “test year cost reductions were updated to reflect the impact of breakthrough productivity savings and additional Periodicals initiatives savings identified since the Request was filed.” With respect to this statement:

(a) Please explain fully what the USPS means by “breakthrough” productivity savings and why these particular breakthrough savings only were identified after the Request was filed.

(b) Please describe the procedures by which the Postal Service identified these particular breakthrough savings since the Request was filed and state whether and to what extent additional breakthrough savings are likely to become known in the next two years.

(c) Please explain the extent to which the breakthrough savings have been applied to BPM. If the savings have not affected BPM, please state why.

(d) Please explain fully what the USPS means by “additional Periodicals initiatives savings” and why these particular additional Periodical initiative savings only were identified after the Request was filed.

(e) Please describe the procedures by which the Postal Service identified these particular additional Periodicals initiatives savings since the Request was filed and state whether and to what extent additional Periodical initiatives savings are likely to become known in the next two years.

(f) Please explain whether these additional Periodical initiative savings could be applied to BPM. If not, please explain why.

AAP/USPS-ST44-3 Please indicate whether the Postal Service has quantified or has attempted to quantify, in any way, the effective change in productivity that will result from the cost increases that are described on pages 2-3 of your testimony and the cost reductions that are described on pages 5-7 of your testimony. Please provide any calculations of future Postal productivity made by the Postal Service.

AAP/USPS-ST44-4 Please provide all documents and underlying data from DRI that support both the original and updated DRI indexes that are described on page 2 (lines 9-12) of your testimony and that are also reflected in Exhibit USPS-ST-44AB.

AAP/USPS-ST44-5. Please provide a full description of how the Employment Cost Index (ECI), described on page 2 (lines 16-21) of your testimony, is calculated and what sectors of the economy are included in the ECI-wages and salaries index that is shown in Exhibit USPS-ST-44AB. Please explain how this index differs from better known measures of inflation such as the Gross Domestic Product (GDP) price index.

AAP/USPS-ST44-6. Please explain why the forecasted changes in the ECI that appear in Exhibit USPS-ST-44AB are higher than forecasted changes in better known measures of inflation such as the GDP price index. For example, in the latest Economic Report of the President transmitted to Congress in February 2000, the Administration predicts at Table 2.5, page 87, that the GDP price index will increase at an annual rate of 1.9% in 2000 and 2.0% in 2001. These projected growth rates are much lower than the USPS' revised forecasts for the ECI at a rate of 3.22% in 2000 and 4.63% in FY2001. Please explain why the ECI will increase at a greater rate than the GDP price index.

AAP/USPS-ST44-7 Please provide all "Economic Value Added" calculations that are referenced in footnote 4 of Exhibit USPS-ST-44H. Please show how those calculations were used to derive the reductions in annual lump sum payments to non-bargaining workers that appear in Exhibit USPS-ST-44H.

AAP/USPS-ST44-8 For each Supplemental Exhibit accompanying your testimony that updates a prior Postal Service Exhibit, please provide a list that identifies the original Postal Service Exhibit that was updated as part of your testimony.

AAP/USPS-ST44-9 Please refer to Exhibit USPS-ST-44S, “Cost Segments and Components, TY 2001 BR.” With respect to this Exhibit:

(a) Please confirm that page 7 of the Exhibit shows total costs for Bound Printed Matter of \$499,728,000, an amount that is \$18,339,000 greater than the total TY 2001 BR costs reported on page 7 of Exhibit USPS-14H. If USPS-ST-44S and USPS-14H are not comparable, please provide the comparable figures that show the difference in BPM costs for TY 2001 as originally estimated by the Postal Service at the time of its original filing and as reflected in your testimony.

(b) Please explain fully why BPM costs in the test year before rates have increased since the Postal Service’s original request and explain each major cause of this increase.

AAP/USPS-ST44-10 Exhibit USPS-ST-44S shows TY 2001 BR total C/S-11 Custodial and Maintenance Service costs for BPM in the amount of \$18,338,000. With respect to this figure:

(a) Please confirm that the similar line item on page 3 of Exhibit USPS-14H for TY 2001 BR total C/S-11 Custodial and Maintenance costs is \$16, 575,000. If these two Exhibits are not comparable, please provide the comparable figures that show the difference for BPM C/S-11 costs in TY 2001 BR as estimated by the Postal Service at the time of its original filing and as reflected in your testimony.

(b) Please confirm that TY 2001 BR C/S-11 Custodial and Maintenance costs reported in Exhibit USPS-ST-44S are 10.6% greater than reported in the similar line item found on page 3 of USPS-14H.

(c) Please explain fully why BPM Custodial and Maintenance Service costs for TY 2001 BR have increased by 10.6% since the Postal Service’s original filing and explain each major cause of this increase.

AAP/USPS-ST44-11 Exhibit USPS-ST-44S shows TY 2001 BR total C/S-12 Motor Vehicle costs for BPM in the amount of \$8,694,000 With respect to this figure:

(a) Please confirm that the similar line item on page 3 of Exhibit USPS-14H for TY 2001 BR total C/S-12 Motor Vehicle costs for BPM is \$7,820,000. If these two Exhibits are not comparable, please provide the comparable figures that show the difference for BPM C/S-12 costs in TY 2001 BR as estimated by the Postal Service at the time of its original filing and as reflected in your testimony.

(b) Please confirm that TY 2001 BR C/S-12 Motor Vehicle costs for BPM reported in Exhibit USPS-ST-44S is 11.2% greater than reported in the similar line item found on page 3 of USPS-14H.

(c) Please explain fully why BPM Motor Vehicle costs for TY 2001 BR have increased by 11.2% since the Postal Service's original filing and explain each major cause of this increase.

AAP/USPS-ST44-12 Exhibit USPS-ST-44S shows TY 2001 BR total C/S-15 Building Occupancy costs for BPM in the amount of \$11,256,000. With respect to this figure:

(a) Please confirm that the similar line item on page 5 of Exhibit USPS-14H for TY 2001 BR total C/S-15 Building Occupancy costs for BPM is \$10,782,000. If these two Exhibits are not comparable, please provide the comparable figures that show the difference for BPM C/S-15 costs in TY 2001 BR as estimated by the Postal Service at the time of its original filing and as reflected in your testimony.

(b) Please confirm that TY 2001 BR C/S-15 Building Occupancy costs for BPM reported in Exhibit USPS-ST-44S is 4.4% greater than reported in the similar line item found on page 5 of USPS-14H.

(c) Please explain fully why BPM Building Occupancy costs for TY 2001 BR have increased by 4.4% since the USPS' original filing and explain each major cause of this increase.

AAP/USPS-ST44-13 Exhibit USPS-ST-44S shows TY 2001 BR total C/S-16 Supplies and Services costs for Bound Printed Matter in the amount of \$15,099,000. With respect to this figure:

(a) Please confirm that the similar line item on page 5 of Exhibit USPS-14H for TY 2001 BR total C/S-16 Supplies and Services costs for BPM is \$11,572,000. If these two Exhibits are not comparable, please provide the comparable figures that show the difference for BPM C/S-16 costs in TY 2001 BR as estimated by the Postal Service at the time of its original filing and as reflected in your testimony.

(b) Please confirm that TY 2001 BR C/S-16 Supplies and Services costs for BPM reported in Exhibit USPS-ST-44S is 28.5% greater than reported in the similar line item found on page 5 of USPS-14H.

(c) Please explain fully why BPM Supplies and Services costs for 2001 TY BR have increased by 28.5% since the USPS' original filing and explain each major cause of this increase.

AAP/USPS-ST44-14 Exhibit USPS-ST-44S shows TY 2001 BR total C/S-18 Admin. & Area Operations costs for Bound Printed Matter in the amount of \$27,646,000. With respect to this figure:

(a) Please confirm that the similar line item on page 5 of Exhibit USPS-14H for TY 2001 BR total C/S-18 Admin. & Area Operations costs for BPM is \$25,894,000. If these two Exhibits are not comparable, please provide the comparable figures that show the difference for BPM C/S-18 costs in TY 2001 BR as estimated by the Postal Service at the time of its original filing and as reflected in your testimony.

(b) Please confirm that TY 2001 BR C/S-18 Admin. & Area Operations costs for BPM reported in Exhibit USPS-ST-44S is 6.8% greater than reported in the similar line item found on page 5 of USPS-14H.

(c) Please explain fully why BPM Admin. & Area Operations costs for 2001 TY BR have increased by 28.5% since the USPS' original filing and explain each major cause of this increase.

AAP/USPS-ST44-15 With respect to the Special Standard subclass, Exhibit USPS-ST-44S shows TY 2001 BR costs as follows: (i) C/S-11 Custodial and Maintenance Service costs of \$14,097,000; (ii) C/S-15 Building Occupancy costs of \$8,571,000; (iii) C/S-16 Supplies and Services costs of \$11,355,000, and; (iv) C/S-18 Admin & Area Operations costs of \$18,465,000. With respect to these figures:

(a) Please confirm that, when compared to the TY 2001 BR Special Standard costs that are provided in Exhibit USPS-14H, the costs for each cost segment have increased by the following percentages (if these two Exhibits are not comparable, please provide the comparable figures that show the difference between Special Standard costs for C/S-11, C/S-15, C/S-16 and C/S-18 in TY 2001 BR as estimated by the Postal Service at the time of its original filing and as reflected in your testimony):

- (i) C/S-11 -- 34.2%
- (ii) C/S-15 -- 32.4%
- (iii) C/S-16 -- 60%
- (iv) C/S-18 -- 29.5%.

(b) Please explain why TY 2001 Special Standard TY 2001 BR costs for each of these cost segments appear to have increased so dramatically since the USPS' original request and explain each major cause of these increases.

AAP/USPS-ST44-16 With respect to the Library Mail subclass, Exhibit USPS-ST-44S shows TY 2001 BR costs as follows: (i) C/S-11 Custodial and Maintenance Service of \$1,744,000; (ii) C/S-15 Building Occupancy costs of \$1,158,000; (iii) C/S-16 Supplies and Services costs of \$1,531,000 and C/S-18 Admin. & Area Operations costs of \$2,662,000. With respect to these figures:

(a) Please confirm that, when compared to the TY 2001 BR Library Mail costs that provided in Exhibit USPS-14H, the costs for each cost segment have increased by the following percentages (if these two Exhibits are not comparable, please provide the comparable figures that

show the difference between Library Mail costs for C/S-11, C/S-15, C/S-16 and C/S-18 in TY 2001 BR as estimated by the Postal Service at the time of its original filing and as reflected in your testimony):

(i) C/S-11 -- 26.2%

(ii) C/S-15 -- 17.6%

(iii) C/S-16 -- 51.7%

(iv) C/S-18 -- 26.0%

(b) Please explain fully why TY 2001 BR Library Mail costs in these cost segments have increased so dramatically since the USPS' original request and explain each major cause of these increases.