

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

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
UNITED PARCEL SERVICE
(UPS/USPS-63)

The United States Postal Service hereby provides its response to the following
interrogatories of United Parcel Service: UPS/USPS-63, filed on August 8, 2000.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:



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August 15, 2000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-63. Refer to the Postal Service's response to interrogatories UPS/USPS-53 through 55, which discuss advertising cost "allocation factors." Provide the advertising cost allocation factors by product for each fiscal year from FY 1996 through FY2000, and for Test Year 2001.

RESPONSE:

It perhaps would be more accurate to refer to the "factors" in question as "advertising cost projection allocation factors." As stated in the responses cited, those "factors" are applied to a projection of future year total advertising costs, in the absence of any better information, under the assumption "that advertising will be expended on products in the [future] year in the same proportions as advertising funds were expended by product in the most recent year for which information is available." As was intended to be clear from the context of the responses cited, these "factors" therefore are nothing more than historical proportions of total advertising costs, and, by definition, are available only for historical years. Consequently, nothing can be provided beyond the most recent historical year, FY1999.

For that year and earlier, all necessary information is already available. For FY 1999, the "factors" are as shown in the "C/S 16.3.5 Advertising" column of the ProdSpec worksheet in the Tyaric.xls file of the IC MODEL folder of witness Kay's library reference USPS-LR-I-407. For FY 1998, the corresponding "factors" are shown in the corresponding portion of witness Kay's USPS-T-23 workpapers (page. IIIA-272, as revised 3/13/00). For FY 1996, the most accessible way to derive "factors" is simply to refer to page 15 of 18 of Appendix J of the Commission's R97-1 Opinion, and to divide the figure in each row of the Advertising column by the Total Cost shown at

the bottom of the column. (Although the cost figures shown in Appendix J reflect projected Test Year 1998 cost levels, the advertising breakouts by product reflect FY 1996 "factors," as FY 1996 was the base year in that proceeding. This can be confirmed by reference to LR-H-196, the Rule 54 Alternate Base Year Commission Cost Presentation, where the same "factors" could be derived directly using the FY 1996 data shown in Section 11, on page 18, in the column headed "16:15".) Because FY 1997 was never used as a base period, "factors" per se do not exist for that year. It would be possible, however, to derive "factors" for FY 1997 by applying a similar procedure to the Advertising column of the PRC Version of the FY 1997 Cost Segments and Components Report (i.e., dividing each row entry by the total accrued cost).

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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