

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAYMAN TO INTERROGATORIES
OF THE NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T6-1-7)

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of the Newspaper Association of America: NAA/USPS-T6-1-7, filed on October 23, 2001.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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NAA/USPS-T6-1 Please refer to your testimony at Page 4, Table 1. Is it a correct reading of this Table that the Postal Service's net equity, as of year end FY 2000, was a negative \$646 million?

RESPONSE:

Yes.

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NAA/USPS-T6-2 Please refer to your testimony at page 5, Table 3. Do the data in this Table 3 include capital investments/expenditures? If so, please explain how these dollars are included.

RESPONSE:

No. However, the expense impact of capital investments is included in the form of depreciation.

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NAA/USPS-T6-3 Does your Table 3 indicate that the Postal Service's actual revenue growth, taken over the decade, slightly exceeded its growth in expenses?.

RESPONSE:

Yes. However, please note that expense growth has exceeded revenue growth in each of the last five years.

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NAA/USPS-T6-4 Does your Table 3 indicate that the Postal Service's essentially "broke even" during the past decade, but made very little progress towards restoring its net equity?

RESPONSE:

Yes. As I stated on page 4, line 18 of my testimony "this means the Postal Service was unable to make significant progress against its prior years' losses recovery objective during the last decade". As reflected in Exhibit 6L, equity improved from a negative \$1.278 billion in FY 1990 to a negative \$646 million in FY 2000, an average improvement of only \$63 million a year.

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NAA/USPS-T6-5 Please refer to your testimony at page 6, Table 4 and line 14. Please provide the basis for your projected FY 2002 expense growth rate of 3.2 percent, instead of a higher or lower number.

RESPONSE:

There are numerous sources of change driving the estimated Fiscal 2002 expense growth of 3.2%. Sources of change are discussed in Chapter IIIA.3. of my testimony. Detailed calculations supporting most of these sources of change can be found in LR J-50. A general perspective on the relative impact of each source of change can be found in Exhibit 6M. As I stated on page 6 line 13 of my testimony, "the Postal Service plans to manage expense growth through the test year". A review of LR J-49, Exhibit G, is useful to understand the minimal amount of program growth and the significant amount of cost reductions driving Fiscal Year 2002 expenses.

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NAA/USPS-T6-6 Please refer to your testimony at page 9, Table 7. Does the “Current Assets” column include the book value of the Postal Service’s real estate, after depreciation, does it reflect market value, or does it have some other meaning?

RESPONSE:

Current assets are mainly cash and cash equivalents, and short term accounts receivable. Real estate is reflected on the balance sheet at book value as an asset under buildings. Please refer to LR J-50, page 671 for the buildings portion of USPS FY 1998-2000 financial statements.

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NAA/USPS-T6-7 Please provide your best current understanding of the consequences on the Postal Service's Test Year finances of the Postal Service's actions and expenditures since September 11, 2001, including the effects of changes in mail volumes and mail safety measures.

RESPONSE:

Test year finances will be adversely impacted. While the impact will undoubtedly be severe, it is premature to say at this point how much worse the financial picture will be and how it will be addressed.

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.

Scott L. Reiter

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