

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate And Fee Changes, 1997

Docket No. R97-1

**INTERROGATORIES OF
ALLIANCE OF NONPROFIT MAILERS
TO USPS WITNESS WILLIAM P. TAYMAN
(ANM/USPS-T9-1-2)
August 4, 1997**

Pursuant to sections 25 and 26 of the Commission's Rules of Practice, the Alliance of Nonprofit Mailers ("ANM") respectfully submits the attached interrogatories and requests for production of documents. Instructions for these questions appear in Appendix A.

ANM/USPS-T9-1 In your testimony, filed on July 10, 1997 in this docket, you state at p. 40 that the Postal Service estimates its net income at the end of Fiscal Year 1997 at \$636 million. At the end of Accounting Period 9 (ended 5/23/97) the Postal Service reported a cumulative net income of \$1,338.9 million.

- a. For each of the remaining accounting periods (10-14) in FY 1997, please state the projected net income or loss.

- b. State whether the projected deficits reduce the \$1,338.9 million cumulative income at the end of Accounting Period 9 to \$636 million at the end of the fiscal year.

- b. State the considerations or factors that led the Postal Service to project such large deficits in Accounting Periods 10-13.

- c. Explain why, in recent years, the Postal Service has tended to overestimate the projected deficits in Accounting Periods 10-14.
- d. State whether the Postal Service has changed its projection of net income for Fiscal Year 1997 since your testimony was filed.
- e. If the Postal Service has changes it projection of net income for Fiscal Year 1997, or if it does so before the close of this docket, please provide the revised projection(s) of net income for each remaining Accounting Period and the Fiscal Year 1997.
- e. For Fiscal Year 1996, please show (i) the budgeted income (the "plan") at the outset of the Fiscal Year, by Accounting Period, and (ii) the actual income for each Accounting Period and explain major deviations from plan versus actual.
- f. If Fiscal Year 1997 actual net income were \$1.0 billion higher than the projected amount of \$636 million, show the effect that such a change would have on the Before Rates projected deficit for Fiscal Year 1998.
- g. Identify all studies, analyses, compilations and other data on which you rely in answering each previous part of this question, and produce any such data that the Postal Service has not yet produced in this case.

ANM/USPS-T9-2 Your testimony at p. 40 states that the Postal Service realized a net income of \$1.8 billion in FY 1995 and a net income of \$1.6 billion in Fiscal Year 1996. This resulted in a year-to-year decline in net income from FY 1995 to FY 1996 of \$200 million. Your testimony further states that the Postal Service expects net income of \$636 million in Fiscal Year 1997. This means it expects a year-to-year decline form FY 1996 to FY 1997 of between \$900-\$1,000 million. Finally, you state on p. 41 that "[a] Fiscal Year 1998 before rates test year with a projected net loss of \$1.4 billion indicates the need for additional revenue." Going from a net

income of \$636 million to a net loss of 1.4 billion indicates a year-to-year decline in net income of approximately \$2.0 billion.

a. Please identify the major factors causing the acceleration in the year-to-year erosion of the Postal Service's net income position, from \$200 million to \$900-\$1,000 million to \$2.0 billion.

b. Explain whether the factors which you cite in response to part a of this interrogatory are most likely (i) non-recurring, one time events, or (ii) recurring events.

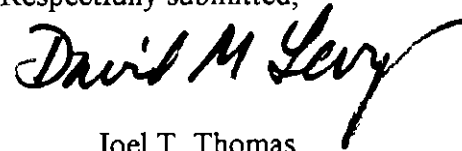
c. If the factors which you cite in response to part b of this interrogatory are, in your view, most likely recurring, to what extent do they indicate that the Postal Service's financial condition is starting to spin out of control?

d. Were the Test Year projections of revenues and expenses contained in your testimony prepared in the normal course of the Postal Service's business, i.e., as part of the Postal Service's ongoing budgeting and financial planning, or were they prepared especially for use in this rate case?

e. If the Test Year projections referred to in the preceding part of this interrogatory were prepared especially for this rate case, please explain why this was necessary and how these projections were developed.

f. In what ways do the Postal Service's projected revenues and expenses for Test Year 1998 differ from the Postal Service's internal budget, or plan, for Fiscal 1998?

Respectfully submitted,

A handwritten signature in black ink that reads "David M. Levy". The signature is written in a cursive style with a large, sweeping initial "D".

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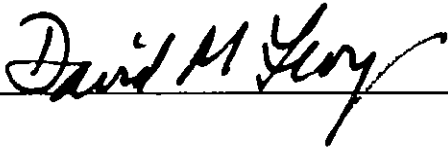
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INSTRUCTIONS

1. If the designated witness cannot answer a question, please redirect it to another witness who can.
2. If the requested data cannot be produced with reasonable effort in the exact format or level of detail requested, please produce all data available in (1) a substantially similar format or level of detail, or (2) susceptible to being converted to the requested format and detail.
3. The term "documents" includes, but is not limited to: letters, telegrams, memoranda, reports, studies, newspaper clippings, speeches, testimony, pamphlets, charts, tabulations, and workpapers. Documents also include information on computer media, microfilm and other non-paper media.
4. Responses to requests for explanations or the derivation of numbers should be accompanied by workpapers. Workpapers shall include sufficient backup material to enable a third party to replicate the final results from the primary sources. Where arithmetic manipulations were performed by a computer with internally stored instructions, and no English language intermediate printouts were prepared, the arithmetic steps should be replicated by manual or other means.

CERTIFICATE OF SERVICE

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



August 4, 1997