

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DANIEL TO INTERROGATORY OF
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL
(MASA/USPS-T29-1(A), (D), AND (E))

The United States Postal Service hereby provides the response of witness Daniel to the following interrogatory of Mail Advertising Service Association International: MASA/USPS-T29-1(a), (d), and (e), filed on July 30, 1997. An objection to interrogatories MASA/USPS-T29-1(b)&(c) and 2 was filed on August 11, 1997.

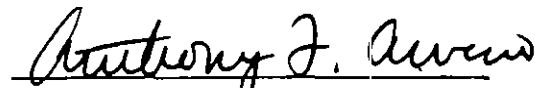
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Anthony F. Alverno

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August 13, 1997

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INTERNATIONAL**

MASA/USPS-T29-1.

a. Confirm that the following chart accurately sets forth the Mail Processing and Delivery unit costs in cents for the categories of Standard (A) mail indicated as computed by the Postal Service in this case and as determined by the PRC in MC95-1, and the differences between the two.

	R97-1 Mail Proc. & Delivery Unit Costs (Cents)	MC95-1 Mail Proc & Delivery Unit Costs (Cents)	Increase (Decrease)
REGULAR SUBCLASS			
Nonletters:			
Basic Presort	26.1585	30.4483	(4.2898)
Basic Automation	20.4392	27.5307	(7.0915)
3/5-Digit Presort	18.2192	21.0077	(2.7885)
3/5-Digit Automation	14.8855	17.4013	(2.5158)
Letters:			
Basic Presort	12.8452	16.8287	(3.9835)
Basic Automation	8.7366	9.5512	(0.8146)
3/5-Digit Presort	10.5299	12.1486	(1.6187)
3-Digit Automation	8.1455	8.7652	(0.6197)
5-Digit Automation	6.7847	6.7437	0.041
ENHANCED CARRIER ROUTE SUBCLASS			
Nonletters:			
Basic	10.3844	7.4263	2.9581
High Density	7.5692	6.6323	0.9369
Saturation	5.9082	5.0433	0.8649
Letters:			
Basic	6.8745	6.0700	0.8045
Auto Basic	6.2687	5.6500	0.6187
High Density	4.7640	5.2880	(0.524)
Saturation	3.8560	4.4170	(0.561)

b. Identify how much of each cost differential in the Regular Subclass is attributable to the use in this case of a new costing methodology resulting in the

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attribution of a lower proportion of mail processing and delivery unit costs compared to MC95-1.

c. Identify any other factors that have contributed to the reduction in mail processing and delivery unit costs in the Regular Subclass, and, for each factor, quantify the amount of the cost differential attributable to that factor.

d. Confirm that, with the exception of the High Density and Saturation categories, in the ECR Subclass mail processing and delivery unit costs have increased compared to MC95-1.

e. Explain why, in general, mail processing and delivery unit costs have increased for the ECR Subclass and decreased for the Regular Subclass compared to MC95-1.

RESPONSE:

1a. The chart accurately sets forth the Mail Processing and Delivery unit costs in cents for the categories of Standard (A) mail as computed on page 2 of Exhibit USPS-29C. The costs for enhanced carrier route (ECR), however, have been adjusted for dropship. ECR costs in MC95-1 were not adjusted for dropship. The comparable ECR costs in this docket are shown on page 3 of Exhibit USPS-29C. Furthermore, the costs for ECR walk sequenced-endorsed and nonwalk sequenced-endorsed mail have been deaveraged in this docket, but were not deaveraged in Docket No. MC95-1. A chart which summarizes the most comparable set of costs is shown below. New numbers have been bolded.

ENHANCED CARRIER ROUTE SUBCLASS	R97-1 Mail Proc. & Delivery Unit Costs (Cents)	MC95-1 Mail Proc & Delivery Unit Costs (Cents)	Increase (Decrease)
Nonletters:			
Basic	8.2324	7.4263	0.8061
High Density	5.4313	6.6323	(1.201)
Saturation	3.7703	5.0433	(1.273)
Letters:			
Basic	6.3520	6.0700	0.282

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Auto Basic	5.7461	5.6500	0.0961
High Density	4.1211	5.2880	(1.1669)
Saturation	3.2121	4.4170	(1.2049)

1b-c. An objection to these interrogatories has been filed.

1d. As shown in the chart of more comparable figures in response to question (1a.), which are ECR costs before being adjusted for dropship as seen on page 3 of Exhibit USPS-29C, the mail processing and delivery costs of ECR Basic letters and nonletters and ECR Automation Basic letters have increased slightly since Docket No. MC95-1 while the costs for High Density and Saturation letters and nonletters have decreased. The costs for ECR walk-sequenced endorsed and nonwalk-sequenced endorsed mail have been deaveraged in this docket but they were not deaveraged in Docket No. MC95-1. The deaveraging of costs in this docket results in a push up of ECR Basic costs and a push down in walk sequence and saturation costs.

1e. As shown in the chart of more comparable figures in response to question (1a.) and as discussed above, ECR Basic letters and nonletters and ECR Automation Basic letters mail processing costs have increased slightly since Docket No. MC95-1 as a result of deaveraging. In general, the volume variable mail processing and delivery unit costs have decreased in both subclasses.

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MASA/USPS-T29-2. For each of the categories of Standard mail set forth on the chart in interrogatory MASA/USPS-T29-1, set forth the mail processing and delivery unit costs for each category under the costing methodology used in MC95-1.

RESPONSE

An objection to this interrogatory has been filed.

DECLARATION

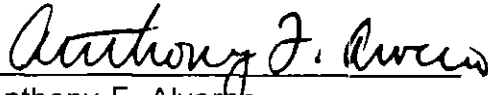
I, Sharon Daniel, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Sharon Daniel
SHARON DANIEL

Dated: August 13, 1997

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.


Anthony F. Alverio

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