

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

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS MOELLER TO INTERROGATORIES OF  
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL  
(MASA/USPS-T36-1-3)

The United States Postal Service hereby provides responses of witness Moeller to the following interrogatories of Mail Advertising Service Association International: MASA/USPS-T36-1-3, filed on July 30, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 13, 1997

U.S. POSTAL SERVICE WITNESS MOELLER RESPONSE TO  
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INTERNATIONAL

MASA/USPS-T36-1. At page 18 of your testimony, you state:

The new costing methodology and other changes to the cost models for automation letters lead to significant reductions in the calculated value of automation compatibility.

- a. Explain what you mean by "reductions in the calculated value of automation compatibility."
- b. Explain what "calculated value" means and describe how it is computed.
- c. When you speak of "value," value to whom?
- d. Is there another measure of the value of automation compatibility than what you have referred to as "calculated value?" If your answer is yes, describe that measure and explain whether and how the value of automation compatibility has decreased by any alternative measure.
- e. What "other changes to the cost models" are you referring to in your testimony? Explain and quantify how have they affected the value of automation compatibility.
- f. In your opinion, would the value of automation compatibility have decreased under the costing methodology used in MC95-1? If your answer is yes, describe why you believe this and estimate the amount of the decrease.

RESPONSE:

- a. The cost differences used as a basis for the discounts in this proposal are lower than the differences used in Docket No. MC95-1.
- b. By "calculated value" I mean the cost differences between the non-automation categories and the automation categories. Please see witness Daniel's testimony (USPS-T-29) regarding the calculation of the costs which are displayed in my WP 1, page 10. The cost differences implied by these costs are presented in my WP 1, page 12.
- c. "Value" is used to describe the savings that the Postal Service may realize when a mailer performs worksharing activities.

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- d. No.
- e. I do not have any particular changes in mind. It is my understanding that many of the inputs to the models reflected updated studies which would have some impact in the cost calculations. The sum of all of these changes led to the reduction in the cost differentials.
- f. I do not know what the calculated cost differential would have been in this proceeding if the Docket No. MC95-1 methodology had been used.  
  
Although I am not familiar with the underlying analysis, I understand that the volume variability study described by witness Bradley (USPS-T-14) tends to reduce mail processing costs allocated to mail subclasses. Since the costs for the subclasses are reduced, the cost differentials between automation and nonautomation categories tend to be reduced.

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**MASA/USPS-T36-2.** At page 28 of your testimony, you refer to the "Postal Service's concern regarding its letter automation program," and to proposed Basic Carrier Route rates that "would encourage letter mailings with this density to be entered at" automation rates. Does not this testimony suggest that the Postal Service places a high value on mail that is presented in automation compatible form? Explain any "no" answer.

**RESPONSE:**

It is my understanding that the Postal Service encourages, to the extent practical, the preparation of mail in a manner that facilitates the automated processing of the mail. This policy is pursued, however, in the context of available cost data and the effect on customers, along with other considerations such as the development of a reasonably simple and understandable rate structure for Standard Mail (A).

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MASA/USPS-T36-3. What automation rates would have been proposed if there were a separate automation subclass? If you cannot give precise rates in response to this question, describe what the impact would have been on proposed rates, quantifying as best as possible that impact.

RESPONSE:

*It is impossible to speculate what rates would have been proposed if a separate, stand-alone, automation subclass would have been included in this proposal.*

Separate costs, markup, passthroughs, and rate design formula would have to have been developed if such a subclass were proposed. Any such hypothetical proposed rates would have had to have been approved by the Board of Governors.

**DECLARATION**

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

  
JOSEPH D. MOELLER

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.

  
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