

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 MOELLER TO INTERROGATORY OF
THE DIRECT MARKETING ASSOCIATION, INC.
(DMA/USPS-T36-1)

The United States Postal Service hereby provides the response of witness Moeller to the following interrogatory of the Direct Marketing Association, Inc.: DMA/USPS-T36-1, filed on August 1, 1997.

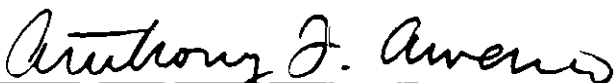
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Anthony F. Alverno

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August 14, 1997

U S. POSTAL SERVICE WITNESS MOELLER RESPONSE TO
INTERROGATORY OF DIRECT MARKETING ASSOCIATION

DMA/USPS-T36-1. Please refer to your testimony at page 2, lines 10-16.

- a. Please confirm that you compute an average rate change for the Standard (A) Regular subclass at 4.1 percent and the average rate change for Standard (A) ECR at 3.2 percent. Please confirm, also, that these figures were computed using a "constant volume mix," i.e., you applied the USPS-proposed rates to before-rates volumes. If you cannot so confirm, please provide any correction needed
- b. Please identify the workpapers of other documents that reflect the computation of the figures referred to in interrogatory 1(a), above, including the multiplication of specific rate levels by mail volume estimated to be handled at each of the rate elements in the test year.
- c. Did you, or some other Postal Service witness, make similar computations using after-rates volumes in the test year? If so, please identify the workpapers or other documents that reflect these computations.
- d. On page 28, lines 11-13 of your testimony, you describe "an expected migration of 3.3 billion letters from the Basic ECR letter rate to 5-digit automation." Do the after-rates volumes mentioned in interrogatory DMA/USPS-T36-1(c) reflect any mail migrations other than this one? If yes, please explain fully. If no, is it fair to conclude that your estimates of after-rates volumes reflect price elasticities and no other factors, as compared with the corresponding before-rates volumes?

RESPONSE:

- a. Confirmed.
- b. USPS-T-36, WP1, pages 27 and 28.
- c. Such figures can be derived by dividing the after-rates revenue per piece from WP1, page 22, line 30 by the before-rates Regular revenue per piece from WP1, page 8 (the result is 1.9 percent). For ECR, divide WP 1, page 23, line 32 by the revenue per piece for ECR from WP1, page 8 (the result is 3.0 percent).
- d. The volumes mentioned in DMA/USPS-T36-1(c) presumably refer to the after rates volumes presented in WP1, page 3, column 2, which are from witness Tolley's

U.S. POSTAL SERVICE WITNESS MOELLER RESPONSE TO
INTERROGATORY OF DIRECT MARKETING ASSOCIATION

workpapers. See witness Tolley's testimony regarding the volume forecast. I do not estimate after-rates volumes. I do, however, disaggregate the volume figures from the forecast by applying factors from the billing determinants. See my WP1, page 20.

The percent change figures presented in DMA/USPS-T36-1(c) reflect not only the effect of the 3.3 billion piece migration between subclasses, but also any migration which occurs within the subclasses. The constant volume mix figures presented in DMA/USPS-T36-1(a) control for migration between and within the subclasses.

DECLARATION

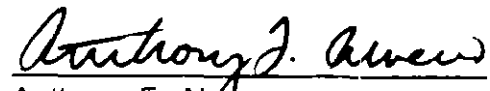
I, Joseph D. Moeller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


JOSEPH D. MOELLER

Dated: August 14, 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. Alverno

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