

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
ALEXANDROVICH TO INTERROGATORY OF MAGAZINE PUBLISHERS OF
AMERICA
(MPA/USPS-T5-1)

The United States Postal Service hereby provides the response of witness
Alexandrovich to the following interrogatory of Magazine Publishers of America:
MPA/USPS-T5-1, filed on July 31, 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


Susan M. Duchek

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August 14, 1997

Response of United States Postal Service Witness Alexandrovich
to
Interrogatory of MPA

MPA/USPS-T5-1. Pages 4-6 of your testimony describe changes in costing methodologies between Fiscal Year and Base Year 1996. According to the Fiscal Year 1996 Cost Segments and Components, attributable costs for Domestic Air were \$1,208,387,000 while, according to the Base Year 1996 Cost Segments and Components (Exhibit USPS-5A), they were \$1,067,818,000.

- a. Please describe how you developed these attributable costs for both the Fiscal Year and the Base Year and provide all calculations.
- b. Which of the studies that you describe in these pages pertains to this change in attributable costs?

Response to MPA/USPS-T5-1

- a. Volume variable domestic air costs for Base Year 1996 are developed in USPS-T-5, Workpaper B, Worksheets 14.0.1. For the Fiscal Year they are found in similar workpapers accompanying the FY 1996 CRA. Both the Base Year and Fiscal Year workpapers are on file with the Commission. Electronic versions containing all calculations of both cost developments are in LR-H-87 (Base Year) and LR-H-223 (Fiscal Year), to be filed with this response.
- b. None of them. Three reductions in the volume variability of air transportation costs are implemented in the Base Year. The affected costs are Eagle, Western, and Christmas air network costs.

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Changes to the variability of the Eagle and Western network costs are described in the testimony of William Takis (USPS-T-41), pages 12-13 and 26-27. These changes lower the volume variable costs of Eagle air transportation from \$156,164,000 to \$48,968,000 between the Fiscal Year and the Base Year. Similarly, Western air volume variable costs are reduced from \$21,658,000 in the Fiscal Year to \$7,222,000 in the Base Year. Supporting calculations are provided in Library Reference H-81.

The volume variability of Christmas network costs is described in USPS-T-41, page 27. Changes in the volume variability of Christmas network air costs reduce the volume variable costs from \$102,285,000 in the Fiscal Year to \$38,049,000 in the Base Year. Calculation of the variability is contained in Library Reference H-85.


Offsetting these reductions in volume variable costs are changes made to the volume variability of system air transportation costs. This volume variability was developed by the Commission in its R87-1 Decision (para. 3575-3579), and was based on the air contracting system in place at that time. Under that system, separate per-pound and per-pound-mile rates were paid to each of

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40 air carriers providing system service. The Postal Service now pays the same per-pound and per-pound-mile rates to all air carriers (outside of Alaska) and uses an equitable tender rule. These conditions are virtually the same as those that were in existence prior to the R87 variability change. Accordingly, the Base Year reverts to the pre-R87 variability for system contracts. This change increases the volume variability of system service from 95.12% in the Fiscal Year to 100% in the Base Year.

DECLARATION

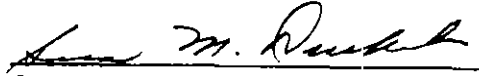
I, Joe Alexandrovich, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read 'Joe Alexandrovich', is written over a horizontal line.

Dated: 8/14/97

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.

A handwritten signature in black ink, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

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