

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 INTERROGATORIES OF  
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL  
(MASA/USPS-T36-4-5)

The United States Postal Service hereby provides responses of witness Moeller to the following interrogatories of Mail Advertising Service Association International: MASA/USPS-T36-4-5, filed on August 4, 1997.

Each 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

  
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August 18, 1997

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OF MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL

MASA/USPS-T36-4.

- a. Confirm that the discount proposed for Standard mail entered at the destination SCF is for all rate categories .3 cents per piece. If you cannot confirm, explain why.
- b. Confirm that the discount currently offered for Standard mail entered at the destination SCF is .5 cents. If you cannot confirm, explain why.
- c. Describe for each rate category any volume effect the USPS has determined will result from the decrease of the discount increment between BMC and SCF destination entry mail to .3 cents.
- d. If the USPS has determined that there will be a volume decrease in SCF destination mail for any rate category, identify each policy, operational and other reason that justifies a volume shift away from the rate category with the higher level of worksharing.

RESPONSE:

- a. Not confirmed. The proposed discount is 1.8 cents per piece for piece-rated pieces. The difference between the proposed DBMC and DSCF discounts is 0.3 cents.
- b. Not confirmed. The current discount for DSCF is 1.8 cents. The current discount for DBMC is 1.3 cents per piece, for a difference between those two discounts of 0.5 cents.
- c. It is my understanding that there is no forecast of volume changes specifically due to this change in the difference between the DBMC and the DSCF discount.
- d. Not applicable. See response to part c.

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MASA/USPS-T36-5. At page 20 of your testimony, you state that "savings due to destination entry, unlike most other worksharing discounts, have increased."

- a. Confirm that per unit discounts for SCF destination entry categories of letters and flats in Standard mail, Regular Subclass, have been decreased in the USPS proposal in this case compared to MC95-1. If you cannot confirm, please explain why not.
- b. Provide the data showing the per unit cost savings and discounts for BMC and SCF Standard Regular and ECR mail in MC95-1 and as determined by the Postal Service in this case.
- c. In light of the increase in cost savings for destination entry categories of Standard mail referred to in your testimony, what is the justification for decreasing the SCF discount?

RESPONSE:

- a. Not confirmed. The current discount, which was established pursuant to Docket No. MC95-1, is 1.8 cents and the proposed discount is 1.8 cents. The DBMC discount is proposed to *increase* from 1.3 to 1.5 cents, thereby resulting in a narrowing of the difference between DBMC and DCSF rates. See response to subpart (c).
- b. Docket No. MC95-1, USPS-T-18, Appx. B, page 6 (in cents):

	per pound	per piece
DBMC	6.40	1.32
DSCF	8.53	1.76
DDU	11.05	2.28

Docket No. R97-1, USPS-T-36 WP1, page 9 (in cents):

	per pound	per piece
DBMC	9.04	1.86
DSCF	11.05	2.28
DDU	13.79	2.84

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- c. First, it is important to emphasize that the question incorrectly concludes the DSCF discount has "decreased;" in fact, the DSCF discount remains unchanged. The passthrough of 80 percent was selected and applied to all three levels of destination entry for the reasons explained in my testimony at page 20. This passthrough results in a proposed increase to the DBMC piece discount, while the DSCF and DDU piece discounts are proposed to remain at current levels. The proposed difference between the DBMC and DSCF discounts is narrower than the current difference due to the proposed *increase* in the DBMC discount.
- If this differential between DSCF and DBMC were to be explicitly addressed with the desire to keep it at current levels, one method for obtaining such a rate relationship would be to input a passthrough of 70 percent at the DBMC tier, while keeping all other passthroughs at the proposed levels. This appears to result in the maintenance of the current DBMC/DSCF differential and would allow for a small reduction in all of the proposed Regular subclass piece rates.
- Another option might be to choose passthroughs that result in an increase in one-tenth of a cent over current discounts for all three dropship levels. This would preserve the current relationship between the discounts and may not result in any change in the base rates in the Regular subclass. It might, however, result in an increase in the base rates in Enhanced Carrier Route.

**DECLARATION**

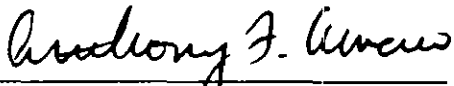
I, Joseph D. Moeller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
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JOSEPH D. MOELLER

Dated: August 18, 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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Anthony F. Alverno

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