

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

Postal Rate and Fee Changes, 1997

RECEIVED

AUG 21 3 47 PM '97
Docket No. R97-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

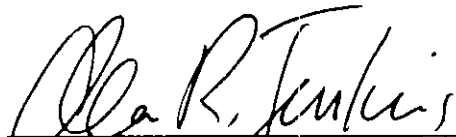
**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
WILLIAM M. TAKIS (NAA/USPS-T41-1-9)
August 21, 1997**

The Newspaper Association of America hereby submits the attached interrogatories to United States Postal Service witness William M. Takis (USPS-T-41) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

By:



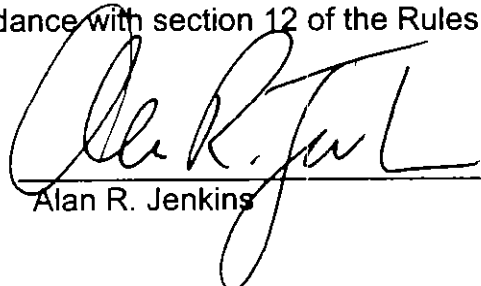
~~William B. Baker~~
Alan R. Jenkins
WILEY, REIN & FIELDING
1776 K Street, N.W.
Washington, DC 20006-2304
(202) 429-7255

Robert J. Brinkmann
NEWSPAPER ASSOCIATION OF AMERICA
529 14th Street, N.W.
Suite 440
Washington, D.C.
(202) 638-4792

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

August 21, 1997



Alan R. Jenkins

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
WILLIAM M. TAKIS (NAA/USPS-T41-1-9)

NAA/USPS-T41-1. Please refer to your direct testimony at page 5, lines 6-11.
For each cost component of each cost segment, please specify whether the marginal costs are 1) declining with volume, 2) rising with volume, or 3) constant.

NAA/USPS-T41-2. Please refer to your direct testimony at page 7, lines 16-17.
For each cost component of each cost segment, please identify the product-specific fixed costs within the component.

NAA/USPS-T41-3. Please refer to your direct testimony at page 11, lines 17-20.;
Please list all cost components for which you do not rely on the analytical framework used to develop volume variable costs. In each case, please explain why you do not rely on the framework and what you used in place of this framework.

NAA/USPS-T41-4. Please refer to your direct testimony at page 12, lines 11-14.

- a) Please list all cost components that have relatively large specific fixed costs, to the extent that such an answer differs from your answer to NAA/USPS-T41-3.
- b) How large do specific fixed costs need to be before you consider a cost component to have "relatively large" specific fixed costs? Please explain why.

NAA/USPS-T41-5. Please refer to footnote 4 at page 12 of your direct testimony.

- a) Please confirm that changes in technology through the introduction of new equipment, new processing procedures or enhanced capabilities of existing equipment will result in a shift in the marginal cost curve. If you cannot confirm this statement, please explain why.

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
WILLIAM M. TAKIS (NAA/USPS-T41-1-9)

- b) Please confirm that changes in the number and/or the mix of machines available to process mail can result in a shift in the marginal cost curve. If you cannot confirm, please explain why.
- c) In your incremental cost analysis, did you account for the introduction of new technological enhancements and the greater automation capability as described in the direct testimony of Postal Service Witness Moden (USPS-T-4) at page 5, lines 22-5 and page 6, lines 1-3; page 6, lines 4-11; page 9, lines 11-19; and page 13, lines 7-24. If so, please explain how these advancements were incorporated in your incremental cost calculations. If no, please explain why not.

NAA/USPS-T41-6. Please refer to your direct testimony at page 19, lines 16-25.

- a) Please explain whether it is possible to aggregate the FY96 incremental costs at the component level and then roll forward these incremental costs using the roll-forward model as described by Witness Patelunas. If no, please explain why not. If yes, please explain why you have not done so.
- b) Would the approach described in part (a) above produce the same results as the "ratio approach" described at page 20, lines 2-7 of your direct testimony? If yes, please explain why. If no, please explain the reason for any differences that would result from the two approaches.
- c) Did you consider any other methods for developing TY1998 incremental costs other than the "ratio approach"? If so, please describe the alternative methods you considered and why these alternatives were discarded in favor of the "ratio approach." If no, please explain why not.
- d) Please confirm that the "ratio approach" you employ assumes that the value of estimated incremental costs relative to estimated volume variable costs will be identical in the base year and test year. If confirmed, please explain in detail your justification for making this assumption.
- e) Please provide any examples where the relationship between incremental costs and volume variable costs could differ between the base year and test year.
- f) Is the "ratio approach" appropriate for cost components with large levels of specific fixed costs? Please fully explain your reasoning.

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
WILLIAM M. TAKIS (NAA/USPS-T41-1-9)

NAA/USPS-T41-7. Please refer to Exhibit USPS-41B.

- a) Please confirm that total 1998 incremental costs for all subclasses, including special services and international mail are \$37,005,806 thousand. If you cannot confirm this figure, please provide the correct figure.
- b) Please confirm that total 1998 volume variable costs for all subclasses are \$34,453,862 thousand. If you cannot confirm this figure, please provide the correct figure.
- c) Please explain the difference between the total volume variable costs in part (b) above and the total costs shown by Postal Service Witness O'Hara in Exhibit USPS-30B of \$34,458,447 thousand. What costs are not included in your analysis?
- d) Please confirm that the total incremental costs are 7.4 percent higher than the total volume variable costs for 1998. If you cannot confirm this figure, please provide the correct figure.
- e) Please confirm that, using a volume variable approach, approximately 56 percent of the Postal Service's total 1998 costs (after rates) will be attributed to individual subclasses. If you cannot confirm this figure, please provide the correct figure.
- f) Please confirm that, if an incremental cost approach were used to attribute costs instead of the volume variable approach, 60 percent of the Postal Service's total 1998 costs would be attribute to individual subclasses. If you cannot confirm this figure, please provide the correct figure.

NEWSPAPER ASSOCIATION OF AMERICA
 INTERROGATORIES TO
 UNITED STATES POSTAL SERVICE WITNESS
 WILLIAM M. TAKIS (NAA/USPS-T41-1-9)

NAA/USPS-T41-8. Please refer to Section IV.A-2 of your workpapers, where you present the accrued load-time costs used to calculate incremental load costs. (Note that the numbering of your workpapers is unclear in the electronic files; the appropriate reference may be Section IV.A-40.) Please also refer to Section IV.A-197 of your workpapers, where you present the accrued access costs and related percentages used to calculate incremental access costs.

- a) Please confirm that you employ the following accrued cost estimates for access time and load time to calculate incremental costs:

Accrued Cost		
(\$000)		
Stop	Access	Load
SDR	\$1,404,803	\$856,445
MDR	\$124,793	\$587,679
BAM	\$197,924	\$175,611

If you cannot confirm these figures, please provide the accrued cost estimates you employ to calculate access time and load time incremental costs.

- b) If your response to the part (a) above is affirmative, please explain why you exclude the "fixed-time cost" component, as calculated by Witness Baron (USPS-T-17), from both access and load costs.
- c) Please confirm that FY96 total accrued access costs are \$1,544,209, \$138,019, and \$208,645 for SDR, MDR, and BAM stops, respectively (see Witness Baron's testimony, Page 14, Table 3, Column 4). If you cannot confirm, please provide the correct figures.
- d) Please explain why you have not used total accrued access costs when computing incremental costs for FY96.

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
WILLIAM M. TAKIS (NAA/USPS-T41-1-9)

NAA/USPS-T41-9. Please refer to Section IV.A.1 of your workpapers. (Note that the numbering of your workpapers is unclear in the electronic files; the appropriate reference may be Section IV.A.39.) In this section of your workpapers, you present the derivation of incremental load costs.

- a) Please provide the source of the percentages presented in Columns (1) through (3) of the table. Please indicate where these percentages can be found in Library Reference H-183.
- b) If these percentages cannot be found in Library Reference H-183, please explain how you derived these percentages from the information contained in Library Reference H-183.

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

Postal Rate and Fee Changes, 1997

Docket No. R97-1

RECEIVED
AUG 21 3 48 PM '97
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORY TO
UNITED STATES POSTAL SERVICE WITNESS
RALPH J. MODEN (NAA/USPS-T4-17)
August 21, 1997**

The Newspaper Association of America hereby submits the attached interrogatory to United States Postal Service witness Ralph J. Moden (USPS-T-4) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

Robert J. Brinkmann
NEWSPAPER ASSOCIATION OF AMERICA
529 14th Street, N.W.
Suite 440
Washington, D.C.
(202) 638-4792

By:



William B. Baker

WILEY, REIN & FIELDING
1776 K Street, N.W.
Washington, DC 20006-2304
(202) 429-7255

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

August 21, 1997


William B. Baker

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORY TO
UNITED STATES POSTAL SERVICE WITNESS
RALPH J. MODEN (NAA/USPS-T-17)

NAA/USPS-T4-17. What percentage of Standard ECR basic letters cannot qualify for Standard Other 5-digit Automation rates because the mailing lacks sufficient density to meet the required 150 pieces per 5-digit area? Please explain how you derived this percentage and the provide the source of the data.