

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

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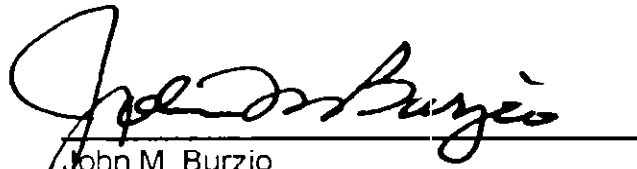
POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

INTERROGATORIES OF ADVO, INC.
TO UNITED STATES POSTAL SERVICE WITNESS
CARL G. DEGEN (ADVO/USPS-T12-1-6)

Pursuant to sections 25 and 26 of the Rules of Practice, Advo, Inc. (Advo) directs the following interrogatories to United States Postal Service witness Carl G. Degen. If the witness is unable to respond to any interrogatory, we request that a response be provided by appropriate USPS witness capable of providing an answer.

Respectfully submitted,



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Counsel for ADVO, INC.

CERTIFICATE OF SERVICE

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



Thomas W. McLaughlin

August 22, 1997

ADVO/USPS-T12-1. Please refer to Tables 2 and 6 of your testimony, relating to FY 1996 Clerk/Mailhandler Mail Processing costs.

- (a) Please confirm that the only difference between the estimated costs by subclass shown in these tables is that Table 2 shows results using the "old methodology" while Table 6 shows results using the "new methodology." If not, please explain any other differences that affect these estimated costs.
- (b) Both Tables 2 and 6 show separate costs for "mixed mail" and "other" that are not distributed to the subclasses. Please explain separately what these costs represent.
- (c) Do the "mixed mail" and "other" mail processing costs in Tables 2 and 6 represent the totality of "mixed mail" and "other" costs, or just a portion of such costs? If the latter,
 - (1) Specifically describe and quantify what portions of total "mixed mail" and "other" costs are and are not reflected in these figures.
 - (2) Are some portions of total "mixed mail" and "other" costs already distributed to the subclasses in these tables? If so, specifically describe and quantify the type and amounts of such distributed costs, explain how such costs were distributed, and quantify the amounts so distributed by subclass/rate category.
- (d) Please confirm that combined "mixed mail" and "other" costs constitute 49.6 percent of the total costs shown in Table 2 (old methodology) and 50.3 percent of total costs shown in Table 6 (new methodology). If not confirmed, please provide the correct percentages and explain how they were derived.

ADVO/USPS-T12-2. Please confirm that the following table accurately reflects, subject to rounding, the differences between the estimated costs shown in your Table 2 (old methodology) and Table 6 (new methodology). If you cannot confirm, please provide a table in comparable format that shows the correct differences.

	<u>Table 2</u> <u>Old Method</u>	<u>Table 6</u> <u>New Method</u>	<u>Change</u>	<u>% Change</u>
FIRST CLASS				
Letters	2,848,071	2,466,167	(381,904)	-13.4%
Private mailing cards	90,701	78,315	(12,386)	-13.7%
Postal cards	1,914	1,662	(252)	-13.2%
Presort letters	616,490	538,754	(77,736)	-12.6%
Presort cards	23,057	23,079	22	0.1%
TOTAL FIRST	3,580,233	3,107,977	(472,256)	-13.2%
Priority	264,768	162,067	(102,701)	-38.8%
Express	62,632	24,858	(37,774)	-60.3%
Mailgrams	62	50	(12)	-19.4%
SECOND CLASS				
Within County	9,525	7,722	(1,803)	-18.9%
Regular	244,398	202,342	(42,056)	-17.2%
Nonprofit	44,430	36,478	(7,952)	-17.9%
Classroom	2,485	2,101	(384)	-15.5%
TOTAL SECOND	300,838	248,643	(52,195)	-17.3%
THIRD CLASS				
Single Piece	45,958	37,603	(8,355)	-18.2%
Carrier Route	144,856	120,085	(24,771)	-17.1%
Non-CR	878,996	749,735	(129,261)	-14.7%
BRR	1,023,852	869,820	(154,032)	-15.0%
NP Carrier Route	15,565	12,172	(3,393)	-21.8%
NP Non-CR	212,502	181,653	(30,849)	-14.5%
NP	228,067	193,825	(34,242)	-15.0%
TOTAL THIRD	1,297,877	1,101,248	(196,629)	-15.2%
4TH CLASS				
Parcels	81,349	57,674	(23,675)	-29.1%
BPM	38,043	31,673	(6,370)	-16.7%
Special	40,228	31,918	(8,310)	-20.7%
Library	8,503	7,084	(1,419)	-16.7%
TOTAL FOURTH	168,123	128,349	(39,774)	-23.7%
USPS				
Free for Blind	58,692	39,583	(19,109)	-32.6%
International	5,305	4,103	(1,202)	-22.7%
Special Services	123,044	89,235	(33,809)	-27.5%
	216,347	88,425	(127,922)	-59.1%
Mixed mail	2,670,527	2,140,038	(530,489)	-19.9%
Other	3,306,638	2,907,951	(398,687)	-12.1%
TOTAL	12,055,086	10,042,527	(2,012,559)	-16.7%

ADVO/USPS-T12-3. Please refer to Tables 5 and 6 of your testimony.

- (a) Please confirm that the estimated costs by subclass in Table 6 reflect distributed volume-variable costs by subclass under the "new methodology," before distribution of "mixed mail" and "other" costs to the subclasses.
- (b) Please confirm that the "Total" column in the last page of your Table 5 reflects distributed volume-variable costs by subclass under the "new methodology," after distribution of "mixed mail" and "other" costs to the subclasses.
- (c) Please confirm that the only difference between the estimated total costs by subclass in these two tables is that Table 5 reflects the distribution to the subclasses of the "mixed mail" and "other" costs shown in Table 6.

If you cannot confirm, please explain fully why not.

ADVO/USPS-T12-4. Tables 2 (old methodology) and 6 (new methodology) show estimated costs by subclass before distribution to the subclasses of the "mixed mail" and "other" costs listed at the bottom of those tables. Table 5 (new methodology) shows estimated costs by subclass after distribution of the "mixed mail" and "other" costs. Please provide a table corresponding to Table 5 showing estimated costs by subclass after distribution of the "mixed mail" and "other" costs under the old methodology.

ADVO/USPS-T12-5. Column 2 of the following table shows the total costs by subclass, after distribution of "mixed mail" and "other" costs, from the last column of your Table 5 (new methodology). In column 1, please provide the comparable costs by subclass, after mixed mail/other cost distribution, under the old methodology. In columns 3 and 4, please provide the absolute and percentage differences by subclass between the new and old methodology.

	<u>Old Method</u>	<u>Table 5 New Method</u>	<u>Change</u>	<u>% Change</u>
FIRST CLASS				
Letters		4,655,673		
Private mailing cards		133,288		
Postal cards		3,062		
Presort letters		1,063,505		
Presort cards		35,765		
TOTAL FIRST		5,891,293		
Priority		477,893		
Express		84,370		
Mailgrams		75		
SECOND CLASS				
Within County		15,161		
Regular		461,201		
Nonprofit		80,618		
Classroom		5,632		
TOTAL SECOND		562,612		
THIRD CLASS				
Single Piece		78,184		
Carrier Route		265,772		
Non-CR		1,540,108		
BRR		1,805,880		
NP Carrier Route		28,895		
NP Non-CR		366,726		
NP		395,621		
TOTAL THIRD		2,279,685		
4TH CLASS				
Parcels		156,650		
BPM		73,210		
Special		67,076		
Library		16,065		
TOTAL FOURTH		313,001		
USPS		77,044		
Free for Blind		10,022		
International		206,773		
Special Services		139,761		
TOTAL		10,042,529		

ADVO/USPS-T12-6. Please confirm that the following table accurately reflects the differences between the CRA FY 1996 and Base Year attributable costs by subclass for Cost Segment 3.1, Clerk/Mailhandler - Mail Processing - Direct Labor. If you cannot confirm, please provide the corrected costs and differences.

CS 3.1 - Mail Processing - Direct Labor				
	FY96	Base Year	Change	% Chng
FIRST CLASS				
Letters	5,898,081	4,774,417	(1,123,664)	-19.1%
Presort letters	1,267,220	1,080,864	(186,356)	-14.7%
Cards	193,541	140,336	(53,205)	-27.5%
Presort cards	49,707	37,457	(12,250)	-24.6%
TOTAL FIRST	7,408,549	6,033,074	(1,375,475)	-18.6%
Priority	462,927	477,606	14,679	3.2%
Express	71,960	83,202	11,242	15.6%
Mailgrams	130	79	(51)	-39.2%
SECOND CLASS				
Within County	16,619	15,210	(1,409)	-8.5%
Regular	476,857	467,201	(9,656)	-2.0%
Nonprofit	87,663	81,970	(5,693)	-6.5%
Classroom	4,919	5,720	801	16.3%
TOTAL SECOND	586,058	570,101	(15,957)	-2.7%
THIRD CLASS				
Single Piece	92,271	75,564	(16,707)	-18.1%
Carrier Route	258,474	256,941	(1,533)	-0.6%
Non-CR	1,638,901	1,486,117	(152,784)	-9.3%
BRR	1,897,375	1,743,058	(154,317)	-8.1%
NP Carrier Route	27,957	27,934	(23)	-0.1%
NP Non-CR	393,825	353,421	(40,404)	-10.3%
NP	421,782	381,355	(40,427)	-9.6%
TOTAL THIRD	2,411,428	2,199,977	(211,451)	-8.8%
4TH CLASS				
Parcels	169,886	153,080	(16,806)	-9.9%
BPM	82,412	71,247	(11,165)	-13.5%
Special	84,986	65,485	(19,501)	-22.9%
Library	19,417	15,647	(3,770)	-19.4%
TOTAL FOURTH	356,701	305,459	(51,242)	-14.4%
USPS	122,795	92,173	(30,622)	-24.9%
Free	11,983	10,378	(1,605)	-13.4%
International	276,453	214,584	(61,869)	-22.4%
Special Services	194,623	116,331	(78,292)	-40.2%
TOTAL ATTRIB	11,903,607	10,102,964	(1,800,643)	-15.1%
INSTITUTIONAL	551,786	3,144,448	2,592,662	469.9%
ACCRUED	12,455,393	13,247,412	792,019	6.4%
% ATTRIB.	95.6%	76.3%		