

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R2001-1

POSTAL RATE AND FEE CHANGES, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MOELLER TO INTERROGATORIES OF THE ASSOCIATION FOR
POSTAL COMMERCE
(POSTCOM/USPS-T32—6-7)**

The United States Postal Service hereby provides the responses of witness Moeller to the following interrogatories of the Association for Postal Commerce: POSTCOM/USPS-T32—6-7, filed on October 29, 2001.


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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Attorney

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November 13, 2001

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POSTCOM/USPS-T32-6. Please refer to USPS-LR-J-132. Assume that the difference (as estimated using a model similar to that contained in USPS-LR-J-61) between the unit cost of Standard Regular MADC automation flats and the unit cost of Standard Regular ADC automation flats is 5.039 cents. Assume further that the volume of Standard Regular MADC automation flats is 135,721,800 and the volume of Standard Regular ADC automation flats is 210,414,564. Please confirm that setting the Standard Regular rate for MADC automation flats to \$0.331 (rounded from \$0.33063) and the Standard Regular rate for ADC automation flats to \$0.280 (rounded from \$0.28024) passes through approximately 100 percent of the 5.039 cent cost difference between a Standard Regular MADC automation flat and a Standard Regular ADC automation flat while generating approximately the same amount of revenue as the basic automation flat rate of \$0.300. If you do not confirm, please explain your response and provide the appropriate rates and your underlying calculations.

RESPONSE:

Confirmed. The revenue difference is less than \$1,000.

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POSTCOM/USPS-T32-7. Please refer to page 3 of USPS-T-32 where you discuss the Postal Service's proposal to deaverage the rate for Basic Automation letters into separate rates for MAADC and AADC letters. Please explain the reasons why the Postal Service's rate design contains more presort levels for automation letters than for presort letters.

RESPONSE:

There are a number of reasons why there are fewer rate categories within Regular presort category letters. For example, there is relatively little volume in the presort categories. At the Basic presort tier, there are almost three times more automation letters than presort letters. Moreover, at the 3/5-digit tier, over 90 percent of the letters are automation-rated. Another reason for limiting presort letters to two categories is for consistency with the non-letter categories, which also have Basic and 3/5-digit tiers. The cost differentials between letters and nonletters at these tiers serve as the basis for the shape differentials in the Regular subclass, and a parallel structure facilitates this rate design. Fewer categories are also easier to administer; however, in automation letters, the separate rate for 5-digit automation letters assists in creating the appropriate rate relationship with ECR Basic. The added complexity in this instance is offset by the benefit of this rate relationship. Also, automation mailers tend to be more sophisticated and can likely deal with the added complexity better than some presort mailers.

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: 11-13-01

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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