

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, 2001

Docket No. R2001-1

**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS HOPE TO INTERROGATORIES OF NEWSPAPER ASSOCIATION  
OF AMERICA  
(NAA/USPS-T31—22-24)**

The United States Postal Service hereby provides the responses of witness Hope to the following interrogatories of the Newspaper Association of America: NAA/USPS-T31—22-24, filed on November 26, 2001.

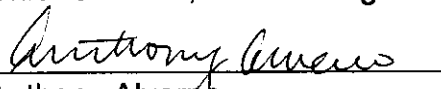
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
Anthony Alverno  
Attorney

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2997; Fax -6187  
December 10, 2001

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**NAA/USPS-T31-22:**

Please refer to Domestic Mail Manual E630.1.7(c), which states, in pertinent part, the density required for the Standard ECR saturation rate as follows: "pieces must be addressed either to 90% or more of the active residential addresses or to 75% or more of the total number of active possible delivery addresses, which is less, on each carrier route receiving this mail." Please also assume that, in the scenarios below, the mailing would otherwise qualify in all respects for Standard ECR rates.

- a. Please confirm that, assuming a route consisting only of 500 active residential addresses, a mailing consisting of 375 pieces could qualify for the Standard ECR saturation rate.
- b. Please confirm that, assuming a route consisting only of 500 active residential addresses, a mailing consisting of 374 pieces would not qualify for the Standard ECR saturation rate.
- c. Please confirm that, assuming a route consisting only of 500 active residential addresses, a mailing consisting of 250 pieces would not qualify for the Standard ECR saturation rate.
- d. Please confirm that, assuming a route consisting of 500 active possible delivery addresses, of which only 250 were active residential addresses, a mailing addressed to 225 residential addresses could qualify for the Standard ECR saturation rate.
- e. Please confirm that nothing in the DMM would require, in the scenario in (d), that the 250 residential addresses would have to be in any particular section of the route, but could be scattered throughout the entire route.
- f. If you cannot confirm any of the above, please explain why not.

**RESPONSE:**

a.-e. Confirmed. Please note that the wording at the end of the phrase quoted from the DMM is "whichever is less," rather than "which is less," as indicated above.

f. Not applicable.

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**NAA/USPS-T31-23:**

Please refer to your response to NAA/USPS-T31-2.

- a. Please confirm that your methodology assumes that the proportion of commercial ECR and NECR costs remains constant between the base year and the Test Year. If you cannot confirm, please explain why not.
- b. Please confirm that the ratio of commercial ECR to NECR volumes is not constant between the Base Year levels and the forecasted Test Year volumes, as presented in LR-J-125. If you cannot confirm, please explain why not.
- c. Please confirm that the mix among rate categories in commercial ECR and NECR does not remain constant between the Base Year levels and the forecasted Test Year volumes, as presented in LR-J-125. If you cannot confirm, please explain why not.
- d. Please explain why you assume a constant cost ratio between commercial ECR and NECR when the ratio of the volumes of these two subclasses, and the mail mix within the subclasses, is not constant between the Base Year and Test Year.

**RESPONSE:**

- a. Not confirmed. No assumption is made about the actual cost proportion.

As stated in my response to NAA/USPS-T-31-1:

The allocation methodology...was not intended to determine the *precise* volume variable cost of the commercial and nonprofit subclasses in isolation. The allocation assisted in executing the rate design formula and producing the statutory revenue-per-piece relationship between commercial and nonprofit subclasses, which is described in my testimony on page 35, lines 1 – 7. [emphasis added]

- b. Confirmed.
- c. Confirmed.
- d. See response to subpart (a). While the volume mix between commercial and nonprofit is not constant between the Test Year After Rates (TYAR)

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estimates in Docket No. R2000-1 and the Test Year Before Rates (TYBR) estimates in this proceeding, that fact is irrelevant in the rate design. The cost allocations used in the rate design are reasonable, given that an actual split of costs between ECR and NECR was not available.

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**NAA/USPS-T31-24:**

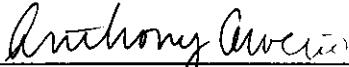
Please refer to your responses to NAA/USPS-T31-6 and 7. Can you also confirm that the postage rate is one factor that a newspaper mailing a Total Market Coverage program takes into account in setting its price to advertisers. Please explain any negative response.

**RESPONSE:**

Presumably, the newspaper would consider its options for distribution of the Total Market Coverage (TMC) program. If the Postal Service is chosen, postage would likely be considered when the newspaper develops its prices to advertisers. (Postage rates may also be a factor in whether the Postal Service is selected over other options for a TMC program.)

**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 Alverno

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2997; Fax -6187  
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