

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 POSTAL SERVICE WITNESS KAY
TO UPS INTERROGATORY UPS/USPS -T21-12
(December 10, 2001)

The United States Postal Service hereby provides the response of witness Kay to the following interrogatories of United Parcel Service: UPS/USPS-T21-12, filed on November 26, 2001. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:



Eric P. Koetting

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December 10, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KAY TO
INTERROGATORY OF UNITED PARCEL SERVICE**

UPS/USPS-T21-12. Refer to Table 3 on page 16 of your testimony, USPS-T-21. Provide this same table for:

- (a) Base Year 2000;
- (b) Test Year 2003 Before Rates (TY2003 BR);
- (c) Explain the reason for any significant changes from the Base Year to the Test Year in the product specific costs of each cost component for Priority Mail and for Express Mail.

RESPONSE

(a) – (b) See table below. Note that product specific costs for Test Year 2003 Before Rates are the same as those for Test Year 2003 After Rates.

PRODUCT SPECIFIC COSTS FOR PRIORITY AND EXPRESS MAIL, BY 2000 AND TY 2003 BEFORE RATES

Cost Component	Priority Mail, BY2000	Express Mail, BY2000	Priority Mail, TY03 (BR)	Express Mail, TY03 (BR)
C/S 3 Mail Processing	\$ 148.8	\$ 76.9	\$ 169.0	\$ 87.3
Admin Clerks	0.0	10.5	0.0	11.6
Expedited Delivery	0.0	4.5	0.0	5.1
C/S 7 City Carriers	0.0	12.0	0.0	14.1
C/S 14 Transportation	60.5	175.0	46.3	0.0
C/S 15 Rents	0.3	0.0	0.4	0.0
Communications	0.1	0.0	0.0	0.0
C/S 16 Misc. Supplies	7.1	0.0	8.0	0.0
Advertising	41.6	5.7	48.4	6.6
C/S 18 Headquarters	6.0	0.0	6.7	0.0
Supplies & Services	10.7	0.0	12.5	0.0
Misc. Support	1.2	0.0	1.2	0.0
C/S 20 Equipment Depreciation	0.1	0.0	0.1	0.0
TOTAL	\$ 276.4	\$ 284.6	\$ 292.6	\$ 124.7

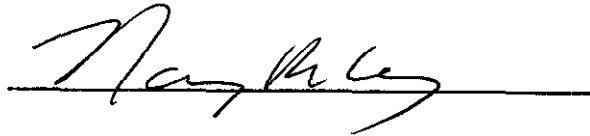
(c) As discussed in my testimony on pages 12 and 13, product specific costs are calculated by applying the appropriate rollforward growth factors to base year product specific costs. Product specific cost in a component will change from the base year to the test year in proportion to the change in the non-volume variable component cost. However, by the test year there will no longer be any

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premium costs associated with the Eagle and WNET overnight networks, causing an elimination of the product specific cost for Express Mail in C/S 14 Transportation. Witness Takis reports that costs associated with the Fed-Ex night-time network will be 100% volume variable to expedited, overnight air services (USPS-T-19, p. 14).

DECLARATION

I, Nancy R. Kay, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "Nancy R. Kay", is written over a solid horizontal line.

Dated: 12-7-01

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.



Eric P. Koetting

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