

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

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POSTAL RATE COMMISSION
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POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION AND NATIONAL
ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER
(ABA&NAPM/USPS-T22-17-18)

The United States Postal Service hereby provides its response to the following interrogatories of American Bankers Association and National Association of Presort Mailers: ABA&NAPM/USPS-T22-17-18, filed on December 10, 2001. These interrogatories were redirected to the Postal Service from witness Miller.

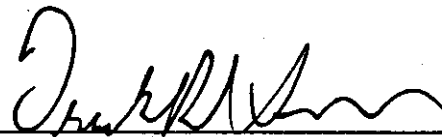
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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December 26, 2001

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION
AND NATIONAL ASSOCIATION OF PRESORT MAILERS
REDIRECTED FROM WITNESS MILLER**

ABA&NAPM/USPS-T22-17 - Please confirm that as between TY 2001 from R2000-1 and TY 2003 in this case, the MODS11 OCR cost pool has increased for FCM single piece (0.47 to 0.57 cents) and single piece metered (0.58 to 0.72 cents). Please explain the factors underlying the increase.

RESPONSE:

The unit costs that you cite for TY 2001 are taken from USPS LR-I-81 (of Docket No. R2000-1), which has a base year of FY1998. If instead we use the TY 2001 unit costs which have FY 1999 as the base year, then the cost pool "OCR" unit costs increase from 0.510 cents to 0.574 cents for all First-Class single-piece letters, and from 0.630 cents to 0.720 cents for First-Class single-piece metered letters. Thus, changing the base year accounts for part of the difference.

The TY 2001 unit costs with the FY 1999 base year are from USPS LR-I-464 (of Docket No. R2000-1).

About half of the remaining increase is due to the wage level difference between TY 2001 and TY 2003 of about 8 percent. This wage difference is partially offset by cost reductions (see USPS LR-J-52, pages 233 and 255 or spreadsheet CROP.xls).

The remainder of the increase is due to the higher piggyback factor for this cost pool. The piggyback factor is 2.213 for TY 2003 (see witness Smith, USPS-T-15, Attachment 12, page 1) and 2.041 for TY 2001 (see USPS LR-I-463 and USPS LR-I-464 in Docket No. R2000-1). There are two sources of this increase, as discussed by witness Smith, USPS-T-15. The first source of change is the modifications in the calculation of the labor costs used in the

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piggyback factors (see USPS-T-15, pages 22-23). The second source of change is the addition of RBCS Workroom costs to the OCR category (see USPS-T-15, page 26 and see USPS LR-J-52, page 226 or spreadsheet MPPGTY03.xls, sheet A).

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ABA&NAPM/USPS-T22-18 - Please confirm that as between TY 2001 from R2000-1 and TY 2003 in this case, the MODS17 1CANCMMP cost pool has increased for FCM single piece (0.5 to 1.04 cents) and single piece metered (0.6 to 0.67 cents). Please explain the factors underlying this increase.

RESPONSE:

Not confirmed for the unit costs for FCM single piece metered. This change is 0.3 to 0.67 cents, rather than 0.6 to 0.67 cents. The unit cost that you cite for TY 2001 for FCM single piece (0.5 cents) is taken from USPS LR-I-81 (of Docket No. R2000-1). The unit cost for FCM single piece metered of 0.3 cents is taken from this same source. These unit costs for TY 2001 have a base year of FY1998. If instead we use the TY 2001 unit costs which have FY 1999 as the base year, the cost pool "1CANCMMP" has increased from 0.559 cents to 1.042 cents for all First-Class single-piece letters, and from 0.310 cents to 0.668 cents for First-Class single-piece metered letters. Changing the base year accounts for a small part of the difference. (The TY 2001 unit costs with the FY 1999 base year are from USPS LR-I-464 of Docket No. R2000-1.)

Most of the increase is due to the higher labor variability for this cost pool for TY 2003. The variability is 97 percent for TY 2003 (see witness Van-Ty-Smith, USPS-T-13, Table 1) and 54.9 percent for TY 2001 (see witness Van-Ty-Smith, USPS-T-17, Table 1 in Docket No. R2000-1). The change in the derivation of this variability is discussed in the testimony of witness Bozzo, USPS-T-14, section I.B. and witness Van-Ty-Smith, USPS-T-13, pages 6-7.

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The wage level difference between TY 2001 and TY 2003 of about 8 percent also contributes to this increase. This wage difference is partially offset by cost reductions (see USPS LR-J-52, pages 233 and 255 or spreadsheet CROP.xls).

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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