

DOCKET SECTION

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ADRA TO INTERROGATORIES OF
THE NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T38-1-5)

The United States Postal Service hereby provides responses of witness Adra to the following interrogatories of the Newspaper Association of America: NAA/USPS-T38-1-5, filed on September 15, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Rate-making



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September 26, 1997

**RESPONSE OF U.S. POSTAL SERVICE WITNESS ADRA TO INTERROGATORIES
OF NEWSPAPER ASSOCIATION OF AMERICA**

NAA/USPS-T38-1. Please refer to page 8, lines 2 through 10 of your testimony. Please describe what "weight-related non-transportation costs" the BPM per-pound rate element is intended to recover.

Response:

The "weight-related non-transportation costs" intended to be recovered by the per-pound add-on include any nontransportation costs that are positively correlated with the weight of the piece of mail.

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NAA/USPS-T38-2. Please refer to page 8, lines 12 through 20 of your testimony. Please describe the different categories of "non-transportation costs" that the BPM per-piece rate element is intended to recover?

Response:

The per-piece rate element is intended to recover nontransportation costs which are not affected by weight. This amounts to total costs with the exception of transportation costs (cost segment 14), and the add-on costs (i.e., weight-related nontransportation costs) that are accounted for by the per-pound charge. For a full description of Postal Service various cost segments, please see USPS-T-15E.

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NAA/USPS-T38-3. Please refer to page 8, lines 15-20 of your testimony.

- a. Please explain why the BPM per-piece charge is the same for all nonlocal zones.
- b. Please identify and explain the reasons why the BPM single-piece, per-piece charge is twice the bulk, per-piece charge.
- c. Please identify and explain the reasons why the BPM local per-piece charge is 75 percent of the non-local per-piece charge.

Response:

- a. The per-piece charge is constant for zones 1 through 8 as it is intended to recover nontransportation costs (i.e., handling costs) which do not vary by nonlocal zones or by weight.
- b. The BPM per-piece charge recognizes the lower cost of handling bulk pieces as opposed to single pieces. In Docket No. R84-1, Postal Service witness Madison, USPS-T-16, conducted a study which examined the nontransportation unit cost relationship between single piece and bulk rate BPM. The results of this study reconfirmed the single piece to bulk piece handling cost relationship of 2 to 1 which has been used since Docket No. R77-1.
- c. The BPM local per-piece charge is 75 percent of the non-local per-piece charge to reflect the cost savings associated with local mailings which do not incur bulk mail center (BMC) processing costs. This cost relationship is consistent with Commission precedent.

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NAA/USPS-T38-4. Please refer to your testimony at page 14, lines 5 through 12. Please identify and explain the reasons why the Special Standard Mail rate structure has three-tiers.

Response:

As I mentioned in my testimony, the existing rate structure is in essence a per-piece and per-pound rate construction which is manifested in a three-tier rate structure. Such a structure was first introduced by the Postal Service and recommended by the Commission in Docket No. R76-1. The Commission's Opinion at 252-260, and Postal Service witness McCaffrey's testimony in that docket provide the reasons behind such a proposal.

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NAA/USPS-T38-5. Please refer to page 14, lines 5 through 12. Please identify separately the theoretical purposes of the first pound rate and the separate lower pound rate for additional weight up to 7 pounds.

Response:

The first pound rate is a reflection of the cost-based per-piece and per-pound construction that underlies this rate structure. In other words, the first pound rate has two components: a per-piece and a per-pound charge. The theoretical purpose of such a construction is that there are costs incurred which are the same for every piece, regardless of the weight of the piece. Thus, the per-piece charge reflects these costs which are shared by all mailing pieces regardless of weight. The lower pound rate for additional weight up to 7 pounds reflects only the per-pound component. The theoretical purpose of a tiered-structure is to recognize the notion of rate degression with respect to weight, that is, to recognize that costs do not increase proportionately with weight.

DECLARATION


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



Dated: 9-26-97

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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", is written over a horizontal line.

Scott L. Reiter

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