

**DOCKET SECTION**

RECEIVED

SEP 26 4 47 PM '97

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

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ALEXANDROVICH  
TO INTERROGATORIES OF AMERICAN LIBRARY ASSOCIATION REDIRECTED  
FROM THE POSTAL SERVICE  
(ALA/USPS-2 AND 6)

The United States Postal Service hereby provides responses of witness Alexandrovich to the following interrogatories of American Library Association: ALA/USPS-2 and 6, filed on September 12, 1997 and redirected from the Postal Service.

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

  
Susan M. Duchek

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2990; Fax -5402  
September 26, 1997

Response of United States Postal Service Witness Alexandrovich  
to  
Interrogatories of American Library Association  
(Redirected from USPS)

**ALA/USPS-2.** Please explain why the costs attributed by the Postal Service to library rate mail have increased so much in the last few years.

- a. If you contend that the Postal Service's costing systems previously understated the actual attributable costs of library mail, please identify the cause of the under attribution, quantify its significance, and produce all studies, reports, analyses, compilations, and other documents that support your response.
- b. If you contend that the all or part of the reported cost increase is due to changes in the characteristics of library rate mail, please identify the changed characteristics, quantify their cost-causing significance, and produce all studies, reports, analyses, compilations and other documents that support your response.
- c. If you contend that all or part of the reported cost increase is due to any other factor, please identify the factor, quantify its cost-causing significance, and produce all studies, reports, analyses, compilations, and other documents that support your response.

**Response to ALA/USPS-2**

I disagree with the premise that there has been an exceptional increase in the cost of library rate mail over the past few years. Between 1993 (the base year for the R94-1 case) and 1996 (the base year for the current case), total CRA costs for library rate mail have *declined* by 22.4 percent, from \$67.0 million in FY 1993 to \$52.0 million in FY 1996. On a unit basis, FY 1996 costs of \$1.7256 per piece are essentially the same as their FY 1993 level of \$1.7318 per piece. See Attachment 1.

When comparing FY 1993 with BY 1996, the reduction in costs for library rate mail is even more dramatic. Total library rate costs decline by 28.6 percent,

Response of United States Postal Service Witness Alexandrovich  
to  
Interrogatories of American Library Association  
(Redirected from USPS)

**Response to ALA/USPS-2 (cont.)**

from \$67.0 million to \$47.8 million, over this period. Unit costs decline a little over 8 percent, from \$1.7318 per piece in FY 1993 to \$1.5875 in BY 1996.

The slight decrease in library rate unit costs over this period was accompanied by a significant decline in average weight per piece, from 2.74 pounds in FY 1993 to 1.69 pounds in FY 1996, a drop of 38 percent. As a result, the cost per pound increased over 48 percent between FY 1993 and BY 1996. I am unaware of any study on the characteristics of library rate mail that would explain this change in average weight per piece, but my speculation is that it reflects an increasing proportion of audio and video tapes, cd-rom discs, floppy discs, and other relatively lightweight electronic media in the library rate mail mix.

Over 40 percent of library rate costs are incurred in cost segments 3, 6, 7, and 10, which are predominately driven by volume, shape, and automation compatibility. Piece weight is a relatively insignificant cost driver. Hence, the cost per piece has not decreased as the average weight per piece has declined

Response of United States Postal Service Witness Alexandrovich  
to  
Interrogatories of American Library Association  
(Redirected from USPS)

**ALA/USPS-6.** Please explain why the costs attributed by the Postal Service to library rate mail have grown more rapidly since Docket No. R94-1 than the costs attributed to book rate mail. Identify all studies, analyses, reports, compilations of data, and other documents that support your response, and produce all identified documents that are not publicly available.

**Response to ALA/USPS-6**

I assume that book rate mail refers to special fourth-class rate. If this is the case, then the assertion that library rate costs have grown at a faster rate than special fourth-class rate costs is not entirely correct. Between FY 1993 and BY 1996, total costs for both library rate and special fourth-class rate have declined. Over this period, library rate costs have actually declined more rapidly than have special fourth-class rate costs. See Attachments 1 and 2.

In terms of cost per piece, special fourth-class rate declined by about 27 percent over this period, while library rate fell about 8 percent. The cost per pound for library rate did increase by more than 48 percent for library rate between FY 1993 and BY 1994, compared with a decrease of nearly 20 percent for special fourth-class rate. Although I have no knowledge of any study relating to the costs of library rate mail, my response to ALA/USPS-2 offers a possible explanation for the increase in the per pound cost for library rate mail. As the average weight of library rate pieces has declined, per pound costs have increased because over 40 percent of these costs occur in cost segments 3, 6, 7, and 10, where costs tend to be driven by piece handlings, shape, and

Response of United States Postal Service Witness Alexandrovich  
to  
Interrogatories of American Library Association  
(Redirected from USPS)

automation compatibility rather than weight. Decreases in average piece weight  
have little effect on unit costs and tend to drive up per pound costs.

Library Rate  
FY 1993 - 1996 and BY 1996

|                                  | FY 93    | FY 94    | FY 95    | FY 96    | BY 96    |
|----------------------------------|----------|----------|----------|----------|----------|
| Column source ==>                | [a]      | [a]      | [a]      | [a]      | [b]      |
| Costs (\$000)                    | 66,985   | 57,853   | 55,747   | 51,998   | 47,835   |
| Volume (000)                     | 38,680   | 35,776   | 29,500   | 30,133   | 30,133   |
| Weight, lbs (000)                | 105,892  | 101,478  | 71,633   | 50,971   | 50,971   |
| Weight per piece (lbs)           | 2.7376   | 2.8365   | 2.4282   | 1.6915   | 1.6915   |
| Cost per piece                   | \$1.7318 | \$1.6171 | \$1.8897 | \$1.7256 | \$1.5875 |
| Cost per pound                   | \$0.6326 | \$0.5701 | \$0.7782 | \$1.0201 | \$0.9385 |
| Cost index, total (1993 = 100)   | 100.00   | 86.37    | 83.22    | 77.63    | 71.41    |
| Cost index, piece (1993 = 100)   | 100.00   | 93.38    | 109.12   | 99.64    | 91.67    |
| Cost index, pound (1993 = 100)   | 100.00   | 90.12    | 123.03   | 161.27   | 148.36   |
| Weight index, piece (1993 = 100) | 100.00   | 103.61   | 88.70    | 61.79    | 61.79    |

[a] FY 19xx CRA  
[b] USPS-T5, Exhibit 5C

Special Fourth-Class Rate  
 FY 1993 - 1996 and BY 1996

|                                  | FY 93    | FY 94    | FY 95    | FY 96    | BY 96    |
|----------------------------------|----------|----------|----------|----------|----------|
| Column source ==>                | [a]      | [a]      | [a]      | [a]      | [b]      |
| Costs (\$000)                    | 269,196  | 251,819  | 264,003  | 248,312  | 226,526  |
| Volume (000)                     | 164,763  | 190,867  | 217,761  | 189,793  | 189,793  |
| Weight, lbs (000)                | 304,288  | 335,902  | 346,257  | 319,402  | 319,402  |
| Weight per piece (lbs)           | 1.8468   | 1.7599   | 1.5901   | 1.6829   | 1.6829   |
| Cost per piece                   | \$1.6338 | \$1.3193 | \$1.2124 | \$1.3083 | \$1.1935 |
| Cost per pound                   | \$0.8847 | \$0.7497 | \$0.7624 | \$0.7774 | \$0.7092 |
| Cost index, total (1993 = 100)   | 100.00   | 93.54    | 98.07    | 92.24    | 84.15    |
| Cost index, piece (1993 = 100)   | 100.00   | 80.75    | 74.20    | 80.08    | 73.05    |
| Cost index, pound (1993 = 100)   | 100.00   | 84.74    | 86.18    | 87.88    | 80.17    |
| Weight index, piece (1993 = 100) | 100.00   | 95.29    | 86.10    | 91.12    | 91.12    |

[a] FY 19xx CRA  
 [b] USPS-T5, Exhibit 5C

**DECLARATION**

I, Joe Alexandrovich, 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 black ink, appearing to read "Joe Alexandrovich", is written over a horizontal line.

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.

  
\_\_\_\_\_  
Susan M. Duchek

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2990; Fax -5402  
September 26, 1997