

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 BRADLEY
(USPS-T-14) TO INTERROGATORY OF
MAJOR MAILERS ASSOCIATION
(MMA/USPS-T14-1)

The United States Postal Service hereby provides the response of witness
Bradley to the following interrogatory of Major Mailers Association:

MMA/USPS-T14-1, filed on September 16, 1997.

The 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

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September 29, 1997

Response of United States Postal Service Witness Bradley
to
Interrogatories of MMA

MMA/USPS-T14-1. On page 3 of your testimony you state that "[i]n the past, the Postal Service has simply assumed that mail processing labor costs were proportional to volume" You go on to note that the purpose of your testimony is to produce econometric evidence that permits the evaluation of this assumption. Then you conclude that labor costs (for all labor intensive operations) are less than 100% variable with volume. (See Table 1, page 9)

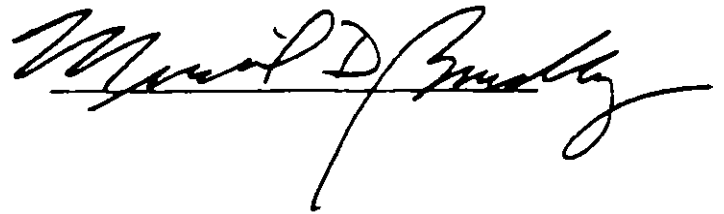
- a. Is this a correct characterization of your testimony? If not please explain.
- b. Did you or any other USPS witness perform any kind of study or analysis to determine which labor processing operations generate costs that are not variable with volume? If so, please provide the results of your study.

MMA/USPS-T14-1.

- a. This is generally correct, assuming the that term "labor intensive operations" is referring to mail processing operations. In addition, I would add a refinement. A substantial portion of my testimony is devoted to measuring the volume variability of different mail processing activities.
- b. Please consider the mail processing activities listed in Table 1, page 9 of my testimony. For any activity in which the estimated variability is less than 100%, volume variable costs will be less than accrued costs. The difference between accrued cost and volume variable cost has been called "institutional" cost but can also be considered "non-volume variable" cost.

DECLARATION

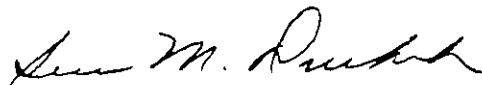
I, Michael D. Bradley, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, reading "Michael D. Bradley". The signature is written in a cursive style and is positioned above a horizontal line.

Dated: Sept. 29, 1997

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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