

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 PATELUNAS TO
INTERROGATORIES OF MCGRAW-HILL COMPANIES REDIRECTED FROM
WITNESS NIETO
(MH/USPS-T2-1 AND 2)

The United States Postal Service hereby provides responses of witness Patelunas to the following interrogatories of McGraw-Hill Companies: MH/USPS-T2-1 and 2, filed on September 17, 1997, and redirected from witness Nieto.

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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September 30, 1997

Response of Richard Patelunas to the Interrogatories
of McGraw Hill, Inc.
to United States Postal Service
(Redirected from Witness Nieto, USPS-T2)

MH-T2-1 Please confirm that the domestic purchased highway transportation costs attributed to Periodicals (second-class) Regular mail increased from approximately \$123.2 million in FY 1995 (CRA) to approximately \$158.8 million in FY 1996 (CRA, T-24), and is projected to increase to approximately \$180 million in TYAR 1998 (T-24), despite much smaller percentage increases in the volume of periodicals (second-class) Regular mail over that period. To the extent you do not confirm, please provide the cost and/or volume figures and sources upon which you rely. In either event, please explain fully the factors causing the increase in domestic purchased highway transportation costs attributed to Periodicals (second-class) mail over this period.

RESPONSE

I cannot confirm, since the FY 1995 costs use the R87-1 volume variabilities for highway transportation which are somewhat lower than those used in the base year in this case. However, a comparison of the Base Year 1995 costs in Docket MC97-2 (see USPS LR-PCR-23), which use the new variabilities, shows highway costs for regular Periodicals of \$137.7 million, an increase of \$21.1 million. Examination of the BY 1995 and BY 1996 costs indicates that a shift has occurred in the use of highway transportation by Periodicals.

Inter-SCF highway costs increased \$14.2 million. Intra-SCF costs increased \$4.7 million, plant load costs increased \$1.9 million, inter-BMC costs increased \$3.5 million. These increases were offset by a \$3.4 million decline in intra-BMC costs.

Response of Richard Patelunas to the Interrogatories
of McGraw Hill, Inc.
to United States Postal Service
(Redirected from Witness Nieto, USPS-T2)

MH-T2-2 Please confirm that the domestic purchased air transportation costs attributed to Periodicals (second-class) Regular mail increased from approximately \$10.7 million in FY 1994 (CRA) to approximately \$16.6 million in FY 1995 (CRA), decreased approximately \$13.5 million in BY 1996 (CRA, T-24), and is projected to increase approximately \$15.7 million in TYAR 1998 (T-24). To the extent you do not confirm, please provide the cost and/or volume figures and sources upon which you rely. In either event, please explain fully the factors causing the fluctuations in domestic purchased air transportation costs attributed to Periodicals (second-class) mail over this period (including the reasons why Periodicals mail is flown at all).

RESPONSE

Confirmed. The fluctuation in air costs from 1994 to 1995 to 1996 results from fluctuations in the proportion of pound-miles of passenger air transportation as measured by TRACS. This proportion increased from 1.2 percent in FY 1994 to 2.0 percent in FY 1995 and decreased to 1.6 percent in BY 1996. Also, a small part of the fluctuation is the result of an overall increase in passenger air accrued cost in FY 1995, followed by a decrease in FY 1996. An additional factor entering the arithmetic is the fact that about 5 percent more passenger air transportation costs are considered volume variable in BY 1996 as in FY 1995 due to the change in volume variability of these costs.

DECLARATION

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

Richard Patelunas

Dated: 9/30/97

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.


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