

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
TO INTERROGATORIES OF
MAGAZINE PUBLISHERS OF AMERICA
REDIRECTED FROM WITNESS ALEXANDROVICH
(MPA/USPS-T5-2CD, 3)

The United States Postal Service hereby provides responses to the following interrogatories of Magazine Publishers of America: MPA/USPS-T5-2cd, 3, filed on September 16, 1997, and redirected from witness Alexandrovich.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 30, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES
OF MAGAZINE PUBLISHERS OF AMERICA
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MPA-USPS-T5-2. Please refer to Witness Baron's responses to MPA/USPS-T17-2 and 3, Table 1 of this interrogatory, the FY 1996 Cost Segments and Components report, and the BY 1996 Cost Segments and Components report.

- c. Please explain fully why the distribution of attributable Rural Carrier costs to mail classes changed between FY 1996 and BY 1996.
- d. Was there any change in the distribution key? If so, please describe the change.

Response:

Parts (c) and (d). Several updates were made to the base year calculations in the rural carrier worksheets (USPS-T-5, WP-B-10) to ensure that current data are used whenever available.

The average allowance values per route (see WP-B-10, 10.2.1, column 2) and the rural letters and flats adjustment factor (see USPS LR H-193, Attachment A) have been updated for the BY 1996 using FY 1996 rural mail counts and the FY 1996 rural carrier cost system. Please refer to USPS LR-H-192 and USPS LR-H-193 that accompany the testimony of Witness Alexandrovich (USPS-T-5).

Fiscal year 1996 costing still uses the average allowance values per route documented in Docket No. R90-1, LR-F-178 (see Section VI, page 15). In addition, the rural carrier letters and flats adjustment factor used in fiscal year 1996 was last updated in Docket No. R-94-1, through the use of the FY 1993 rural carrier cost system data (see testimony of Witness Dana Barker, Docket No. R94-1, USPS-T-14, WP-B, worksheet 10.0.3.)

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES
OF MAGAZINE PUBLISHERS OF AMERICA
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The average allowance values per route are used to assign portions of rural carrier volume variable cost to each evaluation item. For example, the portion of costs allocated to flats increases from 45.5% in FY 1996 to 48.7% in BY 1996. Refer to Witness Alexandrovich, USPS-T-5, WP-B, 10.2.1, column 7.

The rural carrier letters and flats adjustment factor (also called the mail shape adjustment) changes from 17.32% of letters reclassified as flats FY 1996 (1 out of every 5.77452) to 14.66% of letters reclassified as flats in BY 1996 (1 out of every 6.81994). The following tables shows the effects of these alternative rural carrier letters and flats adjustments on fiscal year and base year cost distributions. The last two columns of each table show the percentages of each mail subclass in the adjusted letters and flats distribution keys

The remaining update for the base year adds costs for DPS and sector segment mail. This is not a change in methodology, but rather an update of the current methodology to reflect additions to the rural carrier evaluation factors. This change in the base year can be seen in the workpapers of Witness Alexandrovich, WP-B, 10.1.1 and 10.2.1.

All of the above changes will affect the costs distributed to individual subclasses and classes of mail by 1) changing the percentage of costs going to each evaluation item, and thus the weight the evaluation item and its distribution has in the total rural carrier cost, and 2) changing the letters and flats distribution

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES
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keys, which distribute the costs in the letter and flat evaluation items to subclasses and classes of mail.

Table 1. Fiscal Year 1996 Letter and Flats Distribution Keys

	FY96 Pre-adjusted Letters	FY96 Adjusted Ltrs Pre Ltrs times	Difference	FY96 Pre-adjusted Flats	FY96 Post-adjusted Flats	Adj Ltrs	Adj Flats
	0 82663						
LTRS & PARCELS	8 348 432	5 249 045	1,099 387	748 470	1,847 857	0 28306	0 13480
PRE LTRS & PARCELS	7 168 204	5 926 854	1 241 350	334 061	1 575 411	0 31961	0 11493
CAR PRESORT LETTERS	349 030	288 587	60 443	20,787	81 230	0 01556	0 00593
ZIP+4 FIRST	0	0	0	0	0	0 00000	0 00000
TOTAL PRESORTED	7,517,234	6 215 441	1,301,793	354 848	1 656 641	0 33518	0 12085
GOVT POST CARDS	42,417	42 417	0	0	0	0 00229	0 00000
PRIVATE CARDS	815,117	815 117	0	0	0	0 03317	0 00000
PRESORT PRIV CARDS	353 285	353 285	0	0	0	0 01905	0 00000
CARR PRESORT CARDS	40 252	40,252	0	0	0	0 00217	0 00000
ZIP+4 PRIV CARDS	0	0	0	0	0	0 00000	0 00000
TOTAL PS PRIV CARDS	393 537	393,537	0	0	0	0 02122	0 00000
TOTAL FIRST	14,918,737	12 515,557	2,401,180	1 103,318	3 504 498	0 67492	0 25565
PRIORITY MAIL	2,483	2 053	430	35 961	36,391	0 00011	0 00265
EXPRESS MAIL	0	0	0	0	0	0 00000	0 00000
MAILGRAM	325	325	0	0	0	0 00002	0 00000
SECOND-CLASS MAIL	0	0	0	0	0	0 00000	0 00000
WITHIN COUNTY	0	0	0	0	0	0 00000	0 00000
OUTSIDE COUNTY	0	0	0	0	0	0 00000	0 00000
OTHER REGULAR RATE	0	0	0	0	0	0 00000	0 00000
2ND NONPROFIT	0	0	0	0	0	0 00000	0 00000
CLASSROOM	0	0	0	0	0	0 00000	0 00000
TOT PUBLISHERS	297,875	246,125	51,550	2,543 919	2 595,469	0 01327	0 18934
TOTAL SECOND	297,875	246 125	51,550	2,543 919	2,595,469	0 01327	0 18934
THIRD-CLASS MAIL							
SINGLE PIECE RATE	3,217	2,650	557	4 613	5 170	0 00014	0 00038
BULK RATE - REGULAR					0	0 00000	0 00000
- CARR RT	1,825,310	1 509,213	316,097	2,798 495	3,114 592	0 08139	0 22721
- 3/5-DIG PRSRT	3,564,987	2 947 622	617,365	2,805 243	3,522,808	0 15895	0 25668
TOTAL REGULAR	5,390,297	4 456 835	933,462	5 703 738	6,637,200	0 24334	0 48419
BULK RATE - NP					0	0 00000	0 00000
- CARR RT	196,821	164,390	34,431	115 593	150,024	0 00886	0 01094
- 3/5-DIG PRSRT	1 301,467	1,078,086	223,381	468 378	693,759	0 05803	0 05061
TOTAL NONPROFIT	1,500,288	1 240,476	259,812	593 971	843,783	0 06588	0 08155
TOTAL THIRD	6,893,832	5,699,971	1,193,861	6,292 322	7 486 153	0 30738	0 54612
FOURTH-CLASS MAIL	0	0	0	0	0	0 00000	0 00000
TOTAL ZONE RATE	3,214	2,657	557	10,681	11,236	0 00014	0 00082
BOUND PRINTED MATTER	1 622	1,506	116	27 897	28,213	0 00006	0 00206
SPECIAL FOURTH	303	251	52	6 376	8,426	0 00001	0 00061
LIBRARY RATE	2,728	2,254	472	2 851	3,323	0 00012	0 00024
TOTAL FOURTH	8,065	6,666	1 397	49,605	51,202	0 00036	0 00374
PENALTY-USPS	29,783	24,625	5 158	5 585	10,743	0 00133	0 00078
FREE BUNDHNDG SERV	4 690	4,016	642	4 246	5,086	0 00022	0 00037
INTERNATIONAL MAIL	53,737	44,431	9,306	9,103	18 409	0 00240	0 00134
BUNDLED MAIL	0	0	0	0	0	0 00000	0 00000
TOTAL ALL MAIL	22,207,467	18 543,775	3,663,692	10,044 259	13 707 951	1 00000	1 00000
SPECIAL & OTHER SERVICES							
REGISTRY - FEES AFFIXED	0	0	0	0	0	0 00000	0 00000
INSURANCE	0	0	0	0	0	0 00000	0 00000
COD	0	0	0	0	0	0 00000	0 00000
CERTIFIED	0	0	0	0	0	0 00000	0 00000
SPECIAL DELIVERY	0	0	0	0	0	0 00000	0 00000
MONEY ORDER	0	0	0	0	0	0 00000	0 00000
REG & COD	0	0	0	0	0	0 00000	0 00000
RETURN RECEIPTS	0	0	0	0	0	0 00000	0 00000
TOTAL SPEC SERVICES	0	0	0	0	0	0 00000	0 00000
TOTAL MAIL&SPEC SERV	22,207 467	18,543 775	3,663,692	10 044,259	13,707,951	1 00000	1 00000

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES
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Table 2. Base Year 1996 Letter and Flat Distribution Keys

	BASE YEAR 1996 Pre-adjusted Letters	BASE YEAR 1996 Adjusted Ltrs Prv Ltrs Times 0 85337	Difference	BASE YEAR 1996 Pre-adjusted Flats	BASE YEAR 1996 Post-adjusted Flats	Adj Ltrs	Adj Flats
LTRS & PARCELS	6 346 432	5 417 569	928 863	748 470	1 879 333	0 28356	0 12774
PRE LTRS & PARCELS	7 168 204	8 117 139	1 051 965	334 061	1 385 126	0 32018	0 10536
CAR PRESORT LETTERS	349 030	297 852	51 178	20 787	71 965	0 01559	0 00547
ZIP-4 FIRST	0	0	0	0	0	0 00000	0 00000
TOTAL PRESORTED	7 517 234	6 414 991	1 102 243	354 848	1 457 091	0 33577	0 11084
GOV'T POST CARDS	42 417	42 417	0	0	0	0 00222	0 00000
PRIVATE CARDS	615 117	615 117	0	0	0	0 03220	0 00000
PRESORT PRIV CARDS	353 285	353 285	0	0	0	0 01848	0 00000
CARR PRESORT CARDS	40 252	40 252	0	0	0	0 00211	0 00000
ZIP-4 PRIV CARDS	0	0	0	0	0	0 00000	0 00000
TOTAL PRV CARDS	393 537	393 537	0	0	0	0 02060	0 00000
TOTAL FIRST	14 916 737	12 583 830	2 033 107	1 103 318	3 136 425	0 67435	0 23856
PRIORITY MAIL	2 483	2 119	364	35 961	36 325	0 00011	0 00276
EXPRESS MAIL	0	0	0	0	0	0 00000	0 00000
MAILGRAM	325	325	0	0	0	0 00002	0 00000
SECOND-CLASS MAIL	0	0	0	0	0	0 00000	0 00000
WITHIN COUNTY	0	0	0	0	0	0 00000	0 00000
OUTSIDE COUNTY	0	0	0	0	0	0 00000	0 00000
OTHER REGULAR RATE	0	0	0	0	0	0 00000	0 00000
2ND NONPROFIT	0	0	0	0	0	0 00000	0 00000
CLASSROOM	0	0	0	0	0	0 00000	0 00000
TOT PUBLISHERS	297 875	254 027	43 848	2 543 919	2 567 567	0 01330	0 19683
TOTAL SECOND	297 875	254 027	43 848	2 543 919	2 567 567	0 01330	0 19683
THIRD-CLASS MAIL	0	0	0	0	0	0 00000	0 00000
SINGLE PIECE RATE	3 217	2 745	472	4 613	5 085	0 00014	0 00039
BULK RATE - REGULAR	0	0	0	0	0	0 00000	0 00000
- CARR RT	1 825 310	1 557 867	267 443	2 796 495	3 066 136	0 08153	0 23323
- 3/5-DIG PRSRT	3 564 967	3 042 257	522 730	2 905 243	3 427 973	0 15924	0 26075
TOTAL REGULAR	5 390 277	4 599 924	790 373	5 701 738	6 494 111	0 24977	0 49399
BULK RATE - NP	0	0	0	0	0	0 00000	0 00000
- CARR RT	196 821	169 668	29 153	113 593	144 746	0 00888	0 01101
- 3/5-DIG PRSRT	1 301 467	1 110 634	190 833	468 378	659 211	0 05813	0 05014
TOTAL NONPROFIT	1 500 288	1 280 303	219 985	583 971	803 956	0 08701	0 08115
TOTAL THIRD	6 893 802	5 882 972	1 010 830	6 292 322	7 303 152	0 30792	0 55553
FOURTH-CLASS MAIL	0	0	0	0	0	0 00000	0 00000
TOTAL ZONE RATE	3 214	2 743	471	10 681	11 152	0 00014	0 00085
BOUND PRINTED MATTER	1 822	1 555	267	27 887	28 184	0 00008	0 00214
SPECIAL FOURTH	303	259	44	6 376	6 420	0 00001	0 00064
LIBRARY RATE	2 726	2 326	400	2 851	3 251	0 00012	0 00025
TOTAL FOURTH	6 065	6 662	1 163	49 605	50 398	0 00036	0 00388
PENALTY-USPS	29 783	25 416	4 367	5 585	9 952	0 00103	0 00079
FREE BUNDMHDC SERV	4 860	4 147	713	4 246	4 959	0 00022	0 00038
INTERNATIONAL MAIL	53 737	45 856	7 879	9 103	16 962	0 00240	0 00129
BUNDLED MAIL	0	0	0	0	0	0 00000	0 00000
TOTAL ALL MAIL	22 207 487	19 105 377	3 102 090	10 044 259	13 146 349	1 00000	1 00000
SPECIAL & OTHER SERVICES	0	0	0	0	0	0 00000	0 00000
REGISTRY - FEES AFFIXED	0	0	0	0	0	0 00000	0 00000
INSURANCE	0	0	0	0	0	0 00000	0 00000
COD	0	0	0	0	0	0 00000	0 00000
CERTIFIED	0	0	0	0	0	0 00000	0 00000
SPECIAL DELIVERY	0	0	0	0	0	0 00000	0 00000
MONEY ORDER	0	0	0	0	0	0 00000	0 00000
REG & COD	0	0	0	0	0	0 00000	0 00000
RETURN RECEIPTS	0	0	0	0	0	0 00000	0 00000
TOTAL SPEC SERVICES	0	0	0	0	0	0 00000	0 00000
TOTAL MAIL&SPEC SERV	22 207 487	19 105 377	3 102 090	10 044 259	13 146 349	1 00000	1 00000

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MPA/USPS-T5-3. Please refer to Docket No. R90-1, USPS-T13, Appendix F, Section III. This section describes the FY 1989 Rural Carrier mail shape adjustment. This adjustment reclassified 1 out of every 6.0106 letters as flats so that 4858R survey data had the same percentages of letters and flats as the National Mail Count.

- a. Please confirm that the Postal Service made this shape adjustment in the current case before distributing attributable costs to Classes and Subclasses of mail.
- b. If part a. is confirmed, please identify where this adjustment is documented.
- c. If part a. is confirmed, please provide the proportion of letters in Base Year 1996 that were reclassified as flats.
- d. If part a. is confirmed and the reclassified proportion of letters is smaller than in Docket R90-1, please explain fully why the proportion has decreased.
- e. If part a. is not confirmed, please explain fully why the Postal Service did not make the rural carrier mail shape adjustment.
- f. If part a. is not confirmed, please state whether there is still a discrepancy between the 4858R survey and the National Mail Count in terms of percentages of letters and flats.

Response:

Part (a). Confirmed.

Part (b). This adjustment is documented in LR H-193. See the answer to parts b and c in the previous interrogatory.

Part (c). Attachment A of LR H-193 shows that 6.81994 letters are reclassified as flats.

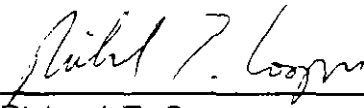
Part (d). N/A

Part (e). N/A

Part (f). N/A

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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