

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 ALEXANDROVICH
TO INTERROGATORIES OF UNITED PARCEL SERVICE REDIRECTED FROM
WITNESS SHARKEY AND MOTION FOR LATE ACCEPTANCE
(UPS/USPS-T33-68-70)

The United States Postal Service hereby provides responses of witness Alexandrovich to the following interrogatories of United Parcel Service: UPS/USPS-T33-68-70, filed on September 17, 1997, and redirected from witness Sharkey. The Postal Service moves that these responses be accepted one day late. The slight delay resulted from the press of other discovery and the need to coordinate among functional groups.

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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October 2, 1997

Response of United States Postal Service Witness Alexandrovich
to
Interrogatories of UPS
(Redirected from Witness Sharkey, USPS-T33)

UPS/USPS-T33-68. Please refer to page 5 of the August 12, 1996, issue of Postal World, attached hereto as Attachment A, which refers to Priority Mail packaging materials provided by the Postal Service to mailers.

- a. In what cost accounts are the costs of developing such customized Priority Mail packaging recorded? Please provide the amount of such costs separately (1) for the base year, and (2) as estimated for the test year.
- b. In what cost accounts are the costs of the packaging material itself recorded? Please provide the amount of such costs separately (1) for the base year, and (2) as estimated for the test year.
- c. Refer to that part of Attachment A which indicates, in a paragraph entitled "**Custom Packaging**," that certain Priority Mail users can receive custom packaging "gratis" (that is, for free). In what cost accounts are the costs incurred by the Postal Service in connection with this program of providing free custom packaging to Priority Mail customers recorded? Provide, separately for the base year and as estimated for the test year, the amount of all such costs.
- d. Please provide the costs of the "over 1 million co-branded custom boxes . . . in 4 custom sizes . . . plus standard units" provided by the Postal Service to the Priority Mail user referred to in Attachment A in the paragraph entitled "**Custom packaging**." Were those costs allocated solely to Priority Mail in the base year?
- e. Provide the criteria used to determine whether a potential mailer qualifies for receiving free customized Priority Mail packaging from the Postal Service

Response to UPS/USPS-T33-68

- a. (1) Assuming that by "developing" you mean the format, layout and printing of the piece, the costs for developing Priority Mail customized packaging accrue to Priority Mail Supplies, account number 52178.

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Response to UPS/USPS-T33-68 continued:

Account number 52178 is one of the accounts that comprise Expedited Mail Supplies, component 187 in the CRA/Rollforward model. It is my understanding that customized packaging was only in its developmental stage in Base Year 1996. Whatever minor costs there were during that period are in account number 52178.

(2) See Witness Tayman's response to OCA/USPS-T9-33, parts d-e.

b. (1) The materials for Priority Mail customized packaging accrue to account number 52178.

(2) See Witness Tayman's response to OCA/USPS-T9-33, parts d-e.

c. These costs also accrue to account 52178.

d. It is my understanding that the costs associated with the "over 1 million custom boxes" did not exist in Base Year 1996 as the program was still only in its developmental stage. Witness Tayman's response to OCA/USPS-T9-33, part e. estimates a \$6 million expense in FY 1997.

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Response to UPS/USPS-T33-68 continued:

- e. The article indicates that a firm must spend at least \$1 million per year on Priority Mail in order to receive custom packaging.

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(Redirected from Witness Sharkey, USPS-T33)

UPS/USPS-T33-69. Please refer to Attachment B hereto, which is page 3 from the April 22, 1996, issue of Postal World. Please provide the costs of the pallet load of Priority Mail video mailers referred to in Attachment B, and state in what cost account or accounts such costs are recorded and whether those costs are allocated solely to Priority Mail. If not, to what subclasses are those costs allocated?

Response to UPS/USPS-T33-69

I am informed that the unit cost for a video box is \$0.217. Assuming that there are 2,200 units on a pallet as stated in the article in your Attachment B, the cost per pallet is \$477.40. Such costs are recorded in account number 52178 and the domestic portion of account number 51278 is solely for Priority Mail.

Response of United States Postal Service Witness Alexandrovich
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UPS/USPS-T33-70. Please provide, separately for (a) the base year, and (b) as estimated for the test year, all costs of designing and supplying both standard and customized Priority Mail packaging, and state in what cost accounts those costs are recorded and indicate whether those costs are allocated solely to Priority Mail. If not, to what subclasses are those costs allocated?

Response to UPS/USPS-T33-70

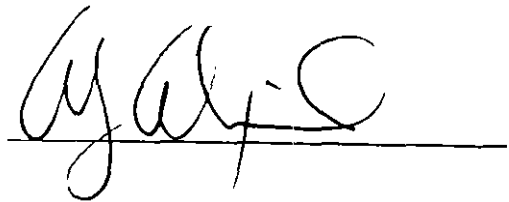
(a) In the base year, the cost of Priority Mail supplies was \$34,803,000.

These costs are recorded in account number 52178 and the amount in that account for domestic supplies is distributed solely to Priority Mail in component 187 of component grouping 16.3.4.

(b) Witness Patelunas informs me that for the Test Year 1998, the cost of Priority Mail supplies is projected to be approximately \$65 million. The calculation subtracts the \$102 million Priority Mail Redesign costs developed in USPS Library Reference H-12 from the \$167 million for Component 16.3.4 in Table D of Witness Patelunas's workpaper WP-G.

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 cursive script, appearing to read 'Joe Alexandrovich', is written over a horizontal line.

Dated: 10/2/97

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

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