

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 AMERICAN BUSINESS PRESS REDIRECTED FROM
WITNESS BRADLEY (USPS-T-13) AND MOTION FOR LATE ACCEPTANCE
(ABP/USPS-T13-7(a) AND 13)

The United States Postal Service hereby provides responses of witness Alexandrovich to the following interrogatories of American Business Press: ABP/USPS-T13-7(a) and 13, filed on September 17, 1997 and redirected from witness Bradley (USPS-T-13). The Postal Service moves that these responses be accepted one day late. The press of other discovery resulted in the response being ready too late to be copied and filed on the due date.

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 ABP
(Redirected from Witness Bradley, USPS-T13)

ABP/USPS-T13-7. Your testimony on p. 9 states that, since docket R87-1, USPS has tried to direct First-Class Mail from air transportation to surface transportation when feasible.

- a. Confirm and explain why, in FY 1995, highway costs for First-Class were about 43% of the cost of domestic air; and in 1996, surface First-Class was 62% of domestic air costs for First-Class Mail.

Response to ABP/USPS-T13-7

- a. I confirm your arithmetic and note that you are referring to First-Class Mail excluding Priority Mail and to highway transportation costs only. A better comparison is between BY 1995 from Docket MC97-2 and BY 1996 in this case, since both use the same highway volume variabilities. First-Class highway costs in BY 1995 were 52 percent of air costs. First-Class highway costs were 62 percent of air costs in BY 1996.

The distribution of highway costs increased in BY 1996 relative to BY 1995. In BY 1996, First-Class highway costs were 25.5 percent of total volume variable highway costs. In BY 1995, First-Class highway costs were 23.6 percent of total highway costs.

A second factor is the fact that accrued highway costs grew over 7.6 percent from BY 1995 to BY 1996, while accrued air costs grew 6.6 percent.

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Response to ABP/USPS-T13-7 (cont.)

Considerably less air costs were distributed to classes of mail in BY 1996 than in BY 1995. In BY 1996, 85 percent of accrued air costs were distributed; in BY 1995, 96.4 percent were distributed.

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ABP/USPS-T13-13.

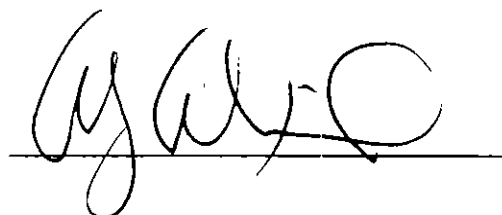
- a. USPS Library Reference H-3 (FY 1996 Final Adjustment Report, FY 1996) at p. 44 shows that total attributable highway costs (seg. 14.1) were \$1,223,869,000, but that there were also \$317,781,000 in non-attributable highway costs (26% of total highway costs). How does dropshipping affect the 26% of total highway costs that do not vary with volume?
- b. What, in your opinion, is the primary reason 26% of total highway costs are non-attributable, whereas air, railroad and water transportation are nearly 100% attributable? Id.

Response to ABP/USPS-T13-13

- a. To the extent dropshipping has caused the accrued costs in certain purchased highway transportation accounts to decline, then both the volume variable and non-volume variable costs would decline.
- b. 26 percent is 1 minus the volume variability of highway contracts, as estimated by witness Bradley. This variability differs from the variabilities for other modes because the terms of incurrence in purchased highway transportation result in these costs being less sensitive to volume changes.

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: 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.



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