

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 THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
AND MOTION FOR LATE ACCEPTANCE
(OCA/USPS-T32-119)**

The United States Postal Service hereby files its response to the following
interrogatory of the Office of the Consumer Advocate, dated September 10, 1997:
OCA/USPS-T32-119.

Redirected from witness Fronk to the Postal Service, the interrogatory is stated
verbatim and is followed by the response.

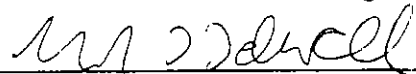
The response was due to have been filed on September 24, 1997. The need to
confer with several departments at Headquarters to develop responsive information
accounts for the lateness of this filing.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 6, 1997

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE
OCA REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-119. What is the cost of producing a single new stamp?

- a. Does the cost differ depending on whether or not it is expected that the stamp will be widely used (e.g., producing additional printing plates) or whether the stamp has an unusual shape (such as a triangular shape)? Please explain.
- b. How much did it cost to produce the recently issued Bugs Bunny stamp?
- c. Would the costs of (b) be different than producing a stamp intended for use as a CEM stamp (as CEM is defined in Docket No. MC95-1)?

RESPONSE: The cost of producing any stamp issue varies depending on the quantity of stamps printed, the printing process used (gravure, offset, offset/intaglio, intaglio), stamp format (pane, booklet, coil), and design. The average cost per thousand stamps in 1997 was \$3.25. This average includes all stamp formats and print processes.

(a) Volume is always one of the primary factors driving stamp production costs because we get volume discounts. It is less expensive on a cost per thousand basis to produce a large volume of stamps such as the Flag Over Porch self-adhesive coil of 100 (approximately 8 billion stamps at a cost of \$2.44 per thousand) than it is to produce a much lower volume such as the Yellow Rose self-adhesive coil of 100 (2 billion stamps at a cost of \$2.52 per thousand).

An unusual shape, such as a triangular shape, can add to the cost of stamp production because stamp printers have to prepare special die to perforate the stamps. For example, the Pacific 97 Stagecoach and Ship stamps cost \$9.01 per thousand due to the special requirements and the fact that it was a brand new technology. However, the higher cost per thousand for a unique format or one which requires new technology is generally offset by the higher revenue generated by stamp retention. For example, far more collectors, both casual and serious, will collect the Pacific 97 Stagecoach and Ship stamps than will collect the Flag Over Porch panes which are purchased primarily for use on mail.

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OCA REDIRECTED FROM WITNESS FRONK


RESPONSE to OCA/USPS-T32-119 (continued)

(b) A second example of an unique stamp issue this year was the Bugs Bunny souvenir sheet of 10. The stamp was extremely popular for two reasons - design and format. The printer used a unique technology to produce the sheet with the tenth stamp attached to a saver card. The saver card was designed to be removed from the other nine stamps and saved. For each card saved, one stamp never entered the mail stream. The higher cost of the Bugs Bunny stamp issue (\$14.88 per thousand stamps) was more than offset by the retention revenue the Postal Service received.

(c) Without knowing exactly what the hypothesized CEM stamp would look like, or what its design or format would be, it is hard to say. A special book of stamps which was accompanied by special instructions for use would be expected to cost more to produce than the typical booklet of stamps.

CERTIFICATE OF SERVICE

I hereby certify that I have this date 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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