

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

**RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS SMITH TO INTERROGATORIES OF
NASHUA & DISTRICT & SEATTLE & MYSTIC
REDIRECTED FROM WITNESS CRUM
(NDMS/USPS-T28-38(d) AND 41(i))**

The United States Postal Service hereby files the responses of witness Marc Smith to the following interrogatories of NDMS, filed November 14, 1997: NDMS/USPS-T28- 38(d) and 41(i).

Redirected from witness Crum to witness Smith, 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



Michael T. Tidwell

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December 1, 1997

RESPONSE OF U.S.POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF NDMS, REDIRECTED FROM WITNESS CRUM

NDMS/USPS-T28-38.

d. Please confirm that:

- (i) the Postal Service's costs of transporting mail to the DDU was computed by dividing total test year adjusted Standard Mail (A) transportation costs by total test year Standard Mail (A) pounds;
- (ii) in that division, pounds are used as a proxy for cube; and
- (iii) using pounds as a proxy for cube assumes, implicitly, that all Standard A Mail has the same density. If you fail to confirm any of the preceding, please explain fully.

Response:

- (i) Confirmed.
- (ii) Confirmed.
- (iii) Confirmed, this assumes that all Standard Mail (A) categories will have the same average density. Individual mailings will of course differ.

RESPONSE OF U.S. POSTAL SERVICE WITNESS SMITH TO
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NDMS/USPS-T28-41.

In LR-H-111, both the transportation and nontransportation costs avoided from dropshipment are presented on a per pound basis. They are presented this way because the drop ship discount is figured on a per pound basis and converted to a per piece basis for pieces under the breakpoint that do not have weight as part of the rate design. At the same time, it is well established that the underlying driver of highway transportation costs is cube. That is, highway transportation costs are incurred and distributed to the classes of mail on the basis of cube. Rates, however, are set on the basis of pieces and pounds, not cube. With respect to highway transportation costs avoided, it is thus clear that pounds serve as a proxy for cube. Nontransportation costs avoided from dropshipment relate to dock handling expenses, such as loading and unloading trucks, moving containers around on the dock and staging them for loading, etc.

- (i) Please confirm that this explanation concerning transportation costs is accurate. Please explain any nonconfirmation.

Response:

- (i) Confirmed, with respect to your statements on highway transportation costs. It is my understanding that Highway costs are incurred on the basis of cubic foot-miles.

DECLARATION

I, Marc A. Smith, hereby declare, under penalty of perjury, that the foregoing Docket No. R97-1 interrogatory responses are true to the best of my knowledge, information, and belief.

11/30/97
Date

Marc A. Smith
Marc A. Smith

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.


Michael T. Tidwell

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