

DOCKET SECTION

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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ALEXANDROVICH
TO INTERROGATORY OF DOUGLAS F. CARLSON
(DFC/USPS-T5-17)

The United States Postal Service hereby provides the response of witness Alexandrovich to the following interrogatory of Douglas F. Carlson: DFC/USPS-T5-17, filed on December 10, 1997.

The 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


Susan M. Duchek

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December 24, 1997

Response of United States Postal Service Witness Alexandrovich
to
Interrogatories of Douglas F. Carlson

DFC/USPS-T5-17.

a. Please refer to your response to DFC/USPS-T5-16(b)-(c). Suppose that IOCS data collectors erroneously identify 1,000 stamped cards as private post cards. Suppose, further, that RPW data also erroneously identify 1,000 stamped cards as private post cards. Assume that the actual cost of processing stamped cards is lower than the cost of processing private post cards. Please confirm that these errors will cause the per-piece cost of processing stamped cards to be overstated and the per-piece cost of processing private post cards to be understated. If you do not confirm, please explain your answer fully and, if necessary, provide a numerical example.

b. Do you have any reason to believe that some stamped cards *might* not have been erroneously classified as private post cards during collection of RPW data? Please explain your answer.

Response to DFC/USPS-T5-17.

a. Not confirmed. In the first place, it is very unlikely that IOCS misidentified 1,000 stamped cards as private postcards because the *total* number of mail processing direct tallies classified as stamped cards only amounted to 24 in the base year. On the other hand, RPW data collectors directly sampled and classified 7,188 stamped cards in the base year.

In terms of unit mail processing costs, the misidentification of a single direct IOCS tally and a single RPW observation for stamped cards would lead to lower unit costs for stamped cards. Since volume variable mail processing costs are largely a function of direct IOCS tallies, mistakenly recording a stamped card as a private postcard would shift approximately 4% of mail processing costs (1 out of 24) out of stamped

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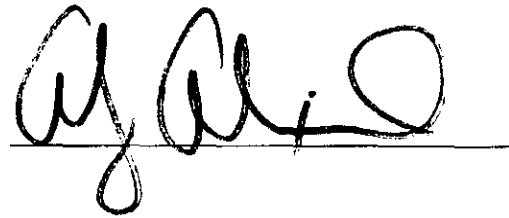
Response to DFC/USPS-T5-17 continued

cards. See supplemental testimony of Postal Service witness Degen, USPS-ST-47 and his response to TW/USPS-T12-36, Tr. 12/6557-59. On the other hand, a similar or corresponding error in RPW would have a negligible (1 out of 7,188) impact on volume. Since volume variable costs would decline in this instance proportionately more than volume, volume variable unit costs would decrease.

- b. It is possible that some stamped cards might have been erroneously classified as private postcards during RPW data collection. However, as explained in part (a) above, the effect on unit costs of a single RPW error for stamped cards is considerably less than that of a similar or corresponding error in IOCS.

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: 12/24/97

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.

A handwritten signature in cursive script, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

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