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POSTAL RATE AND FEE CHANGES, 1997 : POSTAL RATE COMMISSION  
: OFFICE OF THE SECRETARY  
: Docket No. R97-1

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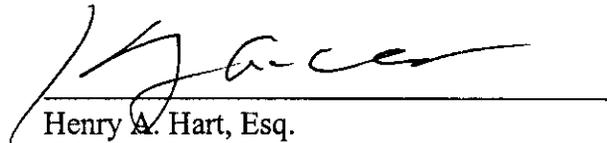
**RESPONSES OF NATIONAL ASSOCIATION OF PRESORT MAILERS  
WITNESS MACHARG TO INTERROGATORIES OF  
THE UNITED STATES POSTAL SERVICE  
(USPS/NAPM-T1-1&2)  
(February 9, 1998)**

Pursuant to the Commission's Rules of Practice, National Association of Presort Mailers ("NAPM") hereby files and serves the responses of its witness Dennis MacHarg to interrogatories USPS/NAPM-T1-1&2.

Respectfully submitted,

NATIONAL ASSOCIATION OF PRESORT MAILERS

By:

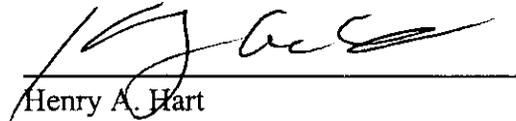


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Date: February 9, 1998  
Alexandria, Virginia

**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.



Henry A. Hart

February 9, 1998  
Alexandria, Virginia

**INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE  
TO NAPM WITNESS MACHARG**

USPS/NAPM-TI-1

On page 6, lines 1-3, of your testimony you present First-Class Mail cost differences between: (i) single-piece flats and basic automation flats, and (ii) single-piece flats and 3/5-digit flats.

- (a) Please confirm that the single-piece cost number you use in your calculations includes parcels as well as flats. If not confirmed, please explain.
- (b) Is it your contention that single-piece costs are the appropriate benchmark to use in measuring cost differentials for setting worksharing discounts? Please explain.
- (c) Please confirm that single-piece mail includes everything from "clean" mail (uniform pieces featuring typewritten or pre-printed addresses and often mailed in bulk) to "dirty" mail (pieces featuring handwritten and incorrect or incomplete addresses). If not confirmed, please explain.
- (d) In its Opinion and Recommended Decision in Docket No. MC95-1, paragraph 4210, it states, "The Commission concludes that cost differentials should reflect costs avoided by worksharing alone, since the primary purpose of the discount is to maximize productive efficiency within postal markets." Please reconcile your use of a single-piece benchmark with this Commission statement.

**RESPONSE**

- (a) Confirmed.
- (b) Yes, since the discount is calculated off the single piece.
- (c) Confirmed.
- (d) In MC95-1 the Commission rejected the USPS proposal to create a separate subclass for first class automated mail. The Commission based its rejection in large part upon the conclusion that there were not sufficient differences between the content and other characteristics across FCLM to justify separate subclass status for automated FCLM. See Opinion and Recommended Decision in MC95-1 at ¶ 5030. It seems most unfair to deny first class automated mail the benefits of subclass status on the basis that it is too homogeneous with single piece mail to be in a separate subclass, but to then reject single piece mail as a benchmark on the basis that it is not sufficiently homogeneous with automated mail.

USPS/NAPM-T1-2.

On page 2, lines 19-20, of your testimony, you recommend the following, "Drop the 5 digit requirement for the second tier of the first class automated flats rate category, so that such category is simply for an automated 3 digit flat."

- (a) Please confirm that if this recommendation were adopted, it would reduce the amount of worksharing performed by mailers, shifting it back to the Postal Service.
- (b) Is it your proposal that the 5-digit requirement be dropped, but that -- all other things remaining equal -- the discount for the rate category be left the same? Please explain.
- (c) If the costs avoided by the Postal Service are reduced (as a result of the 5-digit requirement being dropped, so that the category is simply for automated 3-digit flats) and all other things remain equal, does it not follow that the corresponding discount needs to be reduced as well? Please explain.

#### RESPONSE

- (a) Confirmed.
- (b) No. I have not recommended that the discounts for first class automated flats remain the same. I have recommended that the 4.6¢ heavyweight incentive be retained, that incentives for first class automated flats be increased to a level which passes through a much more substantial portion of the costs savings enjoyed by the USPS from such automated flats, and that the 5-digit requirement for the second tier of the first class automated flats rate category be eliminated (see p. 6 of my testimony). USPS witness Daniel at Exhibit USPS-29C estimates mail processing and delivery costs for flats and parcels single piece of 40.9560¢, for automation basic of 31.2758¢ and for 3/5-digit of 17.885¢. If the 5-digit requirement were dropped, the mail processing and delivery costs of the resulting 3-digit automation flats would certainly be no more than the 31.2758¢ for automation basic flats. This 31.2758¢ cost is more than 9¢ less than single piece flats, and therefore provides ample justification for an incentive well in excess of the 5.0¢ proposed by the USPS for first class automated 3/5-digit flats.
- (c) See my response to USPS/NAPM-T1-2.

**DECLARATION**

I, Dennis MacHarg, declare under penalty of perjury that the following answers are true and correct, to the best of my knowledge, information and belief.

  
Dennis MacHarg

2-6-98  
Date