

DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

UNITED STATES POSTAL SERVICE
FOLLOW-UP INTERROGATORY TO
RECORDING INDUSTRY ASSOCIATION OF AMERICA ET AL. WITNESS ANDREW
(USPS/RIAA et al.-T1-32-33)

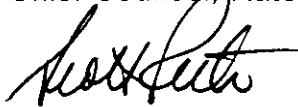
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to Recording Industry Association of America et al. witness Andrew: USPS/RIAA et al.-T1-32-33.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Scott L. Reiter

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February 13, 1998

USPS/RIAA et al.–T1–32. Please refer to your response to USPS/RIAA et al.–T1–7. Table 3 in Exhibit K of witness Crum's testimony (USPS-T-28) shows the estimated actual cost per piece for Standard Mail (A) flats and parcels in fiscal year 1996. As repeated on page 11 of USPS-T-28 and referenced in your testimony, the cost difference between parcels and flats is 40.3 cents. To compare costs to revenues, you adjust the cost difference to 33.4 cents. (See page 4, lines 19-20 of your testimony). Your response states that you do not make any similar adjustment to average revenues because "[b]y relying on the actual data from the 1996 Revenue, Pieces and Weight ("RPW") to compute average revenues, the actual mix of dropshipping and presortation and its impact on revenues has been considered."

- a. Please confirm your understanding that the actual mix of dropshipping and presortation is reflected in actual 1996 revenue data. If you cannot confirm, please explain.
- b. Please confirm that the estimated costs used by witness Crum to calculate the 40.3-cent cost difference reflect actual 1996 cost data. If you cannot confirm, please explain.
- c. Please confirm that your rationale for making the adjustment to costs traces back to page 12, lines 9-10 of witness Crum's testimony, where he states: "Standard Mail (A) flats are somewhat more finely presorted and deeply dropshipped than parcels." If you cannot confirm, please explain.
- d. Please confirm that one of the reasons that parcels cost more than flats is that they are less finely presorted and less deeply dropshipped. If you cannot confirm, please explain.
- e. Please confirm that one of the reasons that parcels bring in more revenue than flats is that they are less finely presorted and less deeply dropshipped. If you cannot confirm, please explain.
- f. Please confirm that you make no adjustment to revenues because you believe that the actual mix of dropshipping and presorting is reflected in actual 1996 revenue data, while you do make an adjustment to costs

because you believe that the actual mix of dropshipping and presorting and its impact on costs is *not* reflected in actual 1996 cost data. If you confirm, please explain the logic of making an adjustment to actual costs without making an equivalent adjustment to actual revenue. If you do not confirm, please explain fully.

USPS/RIAA et al.–T1–33. Please refer to your response to USPS-RIAA et. al.–T1–24 and the response of witness Bradley to OCA/USPS–T14–1, Tr. 11/5357 referenced in that question. Your response states that witness Bradley’s “procedure simply applies the system average of variability for MODS offices to all non-MODS cost pools.” You criticize this approach for “mask[ing] *any* mix differences in the use of resources with differing variabilities.”

- a. Please confirm that witness Bradley’s interrogatory response breaks the non-MODS activities down by cost pool and applies the cost-pool specific variabilities from the MODS analysis. If you cannot confirm, please explain.
- b. Please refer to witness Bradley’s response cited above and confirm that when the volume variable costs for the non-MODS offices are combined, one gets virtually the same result as the MODS system variability. (77.9% vs. 78.6%). If you cannot confirm, please explain.
- c. Please confirm that this negates the notion that the mix of costs in the non-MODS offices are different from MODS offices and thus the relative magnitude of the cost pools are different. If you cannot confirm, please explain fully.
- d. In light of the additional analysis presented by witness Bradley in the cited interrogatory response, please explain fully why the “system” variability from MODS offices cannot be accurately be applied to the non-MODS offices.

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 black ink, appearing to read "Scott L. Reiter", is written over a horizontal line.

Scott L. Reiter

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