

**DOCKET SECTION**

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

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POSTAL RATE AND FEE CHANGES, 1997

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Docket No. R97-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 18  
(April 8, 1998)**

The United States Postal Service hereby files this response to Presiding Officer's Information Request No. 18, which was directed to the Postal Service on April 2, 1998. The questions are stated verbatim and are followed by the responses.

UNITED STATES POSTAL SERVICE

By its attorneys:

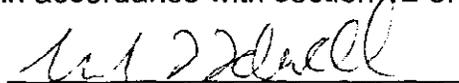
Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



Michael T. Tidwell

**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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April 8, 1998  
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RESPONSE OF U.S. POSTAL SERVICE WITNESS DONALD J. O'HARA TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 18

1. Please confirm that a different methodology for calculating percentage changes in rates was used for Standard (A) than for all other subclasses of mail.

RESPONSE:

Confirmed.

RESPONSE OF U.S. POSTAL SERVICE WITNESS DONALD J. O'HARA TO  
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2. If confirmed, please explain why a different approach was used for Standard (A) compared to all other subclasses of mail.

RESPONSE:

As discussed by witness Moeller (USPS-T-36 at 2-3, and in response to DMA/USPS-T36-1 at Tr. 6/2737-8), the percentage change measurement for Standard (A) uses a constant volume mix so that the after-rates migration of ECR Basic letters to the Regular subclass does not distort the figures. If a simple comparison of before-rates revenue per piece with after-rates revenue per piece is made, the percentage change for each subclass is understated. The understatement occurs because the movement of the highest-priced ECR pieces (basic tier) out of the subclass skews the after-rates revenue per ECR piece toward the lower-priced high-density and saturation categories. Similarly, the migration of formerly ECR pieces to the 5-digit automation category causes the after-rates mail mix in the Regular subclass to skew toward the lower-priced categories (5-digit automation). So the percentage change, using revenue per piece based on these post-migration volumes, does not provide a clear indication of the rate increase. The constant volume method provides a clearer indication of the change in rates for each subclass.

This approach was used for Standard (A) because of the substantial volume of mail which was forecasted to migrate from ECR to the Regular subclass. Other subclasses did not experience inter-subclass volume shifts of this magnitude, and therefore the simple before-rates to after-rates revenue per piece comparison was deemed appropriate.

RESPONSE OF U.S. POSTAL SERVICE WITNESS DONALD J. O'HARA TO  
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3. Please provide a table comparing the results using both methods for Standard (A).

RESPONSE:

	Before rates Rev/pc (1)	After rates Rev/pc Constant Mix (2)	After rates Rev/pc, Non- constant mix (3)	% change in Rev/pc, constant mix (4)	% change in Rev/pc, non- constant mix (5)
Regular	0.2093	0.2178	0.2132	4.1%	1.9%
ECR	0.1456	0.1502	0.1500	3.2%	3.0%
Nonprofit	0.1151	0.1325	0.1281	15.1%	11.3%
NECR	0.0836	0.0796	0.0783	-4.8%	-6.3%

All revenue figures in \$/pc.

- (1) USPS-T-36, Workpaper 1, page 8; Workpaper 2, page 8.
- (2) USPS-T-36, Workpaper 1, page 27, line 30; Workpaper 1, page 28, line 32.  
USPS-T-36, Workpaper 2, page 37, line 30; Workpaper 2, page 38, line 32.
- (3) USPS-T-36, Workpaper 1, page 22, line 30; Workpaper 1, page 23, line 32.  
USPS-T-36, Workpaper 2, page 28, line 30; Workpaper 2, page 29, line 32.
- (4) Col (2)/ Col (1)
- (5) Col (3)/ Col (1)

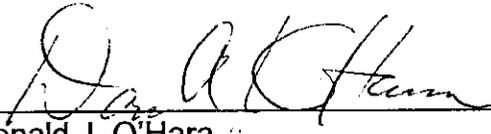
Another way to see the distorting effects of cross-subclass migration is to combine the two subclasses and calculate the simple before-rates to after-rates revenue-per-piece comparison. As shown in the table below, the combined commercial subclasses experience a 4.2% increase in revenue per piece, yet individually, the unadjusted-for-migration increases are less (1.9% and 3.0%) .

	Total Rev. TYBR	Volume TYBR	TYBR Rev/pc	Total Rev. TYAR	Volume TYAR	TYAR Rev/pc	% chg in Rev/pc
Regular	7192.729	34359.007	0.2093	8022.045	37627.554	0.2132	1.9%
ECR	4722.276	32424.241	0.1456	4304.004	28686.182	0.1500	3.0%
<b>Comm.</b>	<b>11915.005</b>	<b>66783.248</b>	<b>0.1784</b>	<b>12326.049</b>	<b>66313.736</b>	<b>0.1859</b>	<b>4.2%</b>

Sources: USPS-T-36: WP1, page 3, 8, 25.

**DECLARATION**

I, Donald J. O'Hara, 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.

  
\_\_\_\_\_  
Donald J. O'Hara

4-8-98  
Date