

Second Set of Joint Interrogatories from
American Bankers Association,
Edison Electric Institute, and
National Association of Presort Mailers
to United States Postal Service
Witness Donald J. O'Hara

ABA&EEI&NAPM/USPS-T-30-2. For the base year and test year (before and after rates), please provide the following costs for First-Class and Standard (A) mail by subclass and by rate category: (a) volume variable; (b) incremental; and accrued (or institutional).

ABA&EEI&NAPM/USPS-T-30-3. Please explain and, if possible, quantify how the degree of mailer preparation influenced your proposed coverages for the following: (a) First-Class single piece; (b) First-Class automation presort (i) basic, (ii) 3-digit, (iii) 5-digit, and carrier route; and (c) Standard (A) (i) basic, (ii) 3-digit, (iii) 5-digit, and enhanced carrier route.

ABA&EEI&NAPM/USPS-T-30-4. Re your example at 15, l. 10-17. You conclude this paragraph by stating: "This seems to me unfair, given that the two products received equal evaluations on the non-cost criteria."

(a) Does "This" refer to the 2 to 1 ratio or that any difference in the each product's contribution to other costs exists? If the latter, would such a result "seem to you unfair" regardless of the difference in each product's contribution to other costs? If neither, please explain.

(b) Eliminating the assumption that the products have the same cost coverage, at what level, if any, would the difference in each product's contribution to other costs be deemed by you to be unfair? Please explain, identifying those factors which would shape your judgment.

ABA&EEI&NAPM/USPS-T-30-5. Regarding air transportation, e.g., Testimony at 29, for fiscal years 1993 through 1997, or year-to-date if not available, and for the test year, please provide the pieces, pounds, cubic feet, cost, and the percentage each of the foregoing represents for the relevant class of mail for the following mail:

- (a) First-Class single piece;
- (b) First-Class automated presort; provide this information by rate category, if available;
- (c) Periodicals regular (or its predecessor classification);
- (d) Standard (A) regular (or its predecessor classification); provide this information by rate category, if available.
- (e) Standard (A) Enhanced Carrier Route (or its predecessor

classification); provide this information by rate category, if available.

ABA&EEI&NAPM/USPS-T-30-6. Re Testimony at 30, lines 16-19.

(a) If the coverage from Docket No. R94-1 had been used, would the percentage change in rates be approximately 3.8% as opposed to 3.5%? (See Exhibit USPS-30D; revised 8/22/97.) If not, what would the percentage increase have been?

(b) Explain what you mean by the phrase "only intensify the problem." Id. at line 19.

ABA&EEI&NAPM/USPS-T-30-7. Re Testimony at 30, lines 20-22.

(a) For Periodicals regular, please provide by rate category the mail processing costs for flats for fiscal years 1993 through 1997, or year-to-date if not available, and for the test year.

(b) Please explain the analysis Postal Service is undertaking, including its status.

(c) Quantify the "full cost increase" (Id. line 22) and the percent of the full cost increase reflected in your proposed rate levels for this mail. If available, provide this information, by rate category.

ABA&EEI&NAPM/USPS-T-30-8. Is it your testimony that each criterion (page 2 and 3 of Testimony) applies to each (a) class, (b) subclass, and (c) rate category of mail? If not, please explain.

ABA&EEI&NAPM/USPS-T-30-9. (a) You state on page 10, line 8 that First-Class Mail letters have ECSI value. Do you acknowledge that bills and financial statements sent under various worksharing rates have high ECSI value? If not, please explain.

(b) In setting cost coverages for First-Class presort and automation letter mail, how did you take ECSI value into account?

(c) In setting cost coverages for First-Class presort and automation mail, did you assign a higher or lower ECSI value than you assigned for (i) Standard Class mail, and (ii) First-Class single piece mail?

ABA&EEI&NAPM/USPS-T-30-10. Regarding criterion 8, (educational, cultural, scientific, and informational value to the recipient) you note that the Commission has recognized this criterion in the past, and that your proposal "reflects this as well." Testimony at 25, l. 1; see also, pages 30, lines 7-10, and 40, lines 10-12. Please explain specifically how, for each rate level affected, you applied criterion 8 in determining the contribution to other costs by the

subject mail.

ABA&EEI&NAPM/USPS-T-11. You state on page 8 lines 4-6 that "as the degree of preparation increases over time, all else equal, the coverage required to obtain the same contribution also increases." Yet, you are proposing a cost coverage of 282% for First Class worksharing letters, but only 228% for Standard (A) commercial ECR and 154% for Standard (A) commercial regular.

(a) Do your relative cost coverages reflect your belief that there is a greater degree of mailer preparation in First-Class worksharing than Standard (A) commercial mail worksharing?

(b) By each rate category for workshared First-Class and Standard (A) mail, please list all worksharing activities of which you are or were aware in setting the above cost coverages.

ABA&EEI&NAPM/USPS-T-30-12. On page 8 you make the point that increased worksharing takes attributable costs out of the system, thereby increasing the systemwide cost coverage.

(a) Does not increased worksharing also take institutional costs out of the system, e.g., those automation machinery costs that are not attributable when a presort bureau buys and operates an MLOCR?

(b) Please confirm that the main reason for an increase in cost coverages in this case has little or nothing to do with worksharing, but reflects instead USPS witness Bradley's regression results for mail processing labor costs. If you do not confirm, please break down the increases in cost coverage associated with each of the foregoing, i.e., worksharing and witness Bradley's regression results for mail processing labor costs.

ABA&EEI&NAPM/USPS-T-30-13. You note in this proceeding (at 5) a higher own price elasticity calculated for First-Class presort letters than for First-Class as a whole. How, if at all, did you use this knowledge in setting First-Class presort and automation coverages relative to the single piece rate?

ABA&EEI&NAPM/USPS-T-30-14. (a) Please confirm that since the last rate case, and in light of MC95-1 and this rate filing, the percentage increase in the discount for Standard (A) mail is: (i) 67% greater for basic automation Standard (A) mail than for its First-Class counterpart; (ii) 233% greater in Standard (A) 3-digit automation than for its First-Class counterpart; and (iii) 74% greater in Standard (A) 5-digit automation than for its First-Class counterpart.

(b) How, if at all, is the "fairness and equity" criterion achieved by setting the lower levels of discounts for automation mailstreams in First-Class than Standard (A) mail, specifically for basic automation first ounce letter rates, 3-digit automation, 5-digit automation, and the extra ounce rate?

ABA&EEI&NAPM/USPS-T-30-15. (a) Please confirm that since the last rate case and through FY 1996, the cost coverage ratios have: (i) increased by 19% for First-Class presort; (ii) decreased marginally for First-Class single piece; (iii) increased by only 7% for Standard (A) bulk rate regular, and (iv) decreased by 6% for standard A carrier route.

(b) If confirmed, how did you take these coverage ratios into account in setting cost coverages for test year 1998 using the "fairness and equity" criterion?

(c) On what postal statutory ratemaking criteria have the cost coverages for First Class presort been allowed to increase so much more than other large volume drivers for the Postal Service?

(d) On what statutory grounds did you set the cost coverage for advertising mail as a whole (Standard mail (A) total commercial) at the same rate as First-Class single piece letter mail (174.14% and 173.25% respectively)?

ABA&EEI&NAPM/USPS-T-30-16. As a result of the proposed changes in cost methodology in this case which reduce attributable costs in mail processing and other areas, systemwide cost coverages have had to rise. Below are the coverage ratios for CRA 1996, Base Year 1996 (at existing rates which incorporate the new costing methods), and your proposed coverages for test year 1998.

Rate	Cost Coverage Ratios		
	FY1996	BY1996	TY1998
First Class Single Piece	149.8	176.1	173.2
First Class Presort	261.3	285.6	282.3
Standard A BRR	168.9	177.2	154.5
Standard A ECR	229.7	237.1	228.3
Systemwide	162.9	181.0	178.6

(a) Please confirm that your TY1998 proposed cost coverages are in fact lower for Standard (A) commercial mail under the revised costing methodology (and markedly lower for BRR) than the FY1996 CRA derived cost coverages under the old costing methodology.

(b) Please explain the justification for setting the cost coverage ratio for Standard (A) commercial regular mail so much lower, relative to BY1996, than other ratios listed above.

(c) Had you set the Standard A BRR cost coverage ratio for TY1998 in proportion to BY1996 cost coverages as the other test year figures listed, (i.e., at about 175), what would be the rate and revenue implications?

ABA&EEI&NAPM/USPS-T-30-17. Assume: (a) all cost coverages (higher in First-Class than Standard (A)) were to remain in the same relative proportions to each other after a change in costing methodologies which required a systemwide increase in cost coverages, and (b) that the changed cost methodologies reduce attributable costs in First-Class by more than they reduce such costs in Standard (A) commercial mail. Under these assumptions, there would be a net redistribution in total costs (volume variable plus institutional) away from First-Class to Standard (A) commercial. In Docket No. R97-1, there has in fact been a much greater reduction in attributable costs for First-Class than for Standard (A) commercial mail, but the changed cost coverages have not been proportional as assumed above. Using the actual cost coverages proposed, please confirm that the increase in institutional costs from the changed cost methodologies shifts the total cost burden from Standard (A) commercial to First Class. Please provide workpapers or other documentation which supports your answer.

Joint Interrogatories from
American Bankers Association,
Edison Electric Institute, and
National Association of Presort Mailers
to United States Postal Service
Witness Joseph D. Moeller

ABA&EEI&NAPM/USPS-T-36-1. Please provide the base year and test year average revenue per piece for the following Standard (A) mail (automation letter size): (a) basic, (b) 3-digit, (c) 5-digit, and (d) destination entry (i) BMC and (ii) SCF.

ABA&EEI&NAPM/USPS-T-36-2. Please provide the base and test year volumes for the rate categories identified in interrogatory 1, above.

ABA&EEI&NAPM/USPS-T-36-3. Please provide the base year and test year average revenue per piece for the following Enhanced Carrier Route Subclass (automation letter size): (a) basic, (b) basic automated, (c) high density, (d) saturation, and (d) destination entry (i) BMC, (ii) SCF, and (iii) DDU.

ABA&EEI&NAPM/USPS-T-36-4. Please provide the base and test year volumes for the rate categories identified in interrogatory 3, above.

ABA&EEI&NAPM/USPS-T-36-5. Re testimony at 28. Please provide workpapers or other documents which set forth the cost and revenue consequences to the Postal Service of the expected migration of 3.3 billion letters from the Basic ECR letter rate to 5-digit automation.

ABA&EEI&NAPM/USPS-T-36-6. Please provide the workpapers and other documents which show in detail the derivation of the Postal Service's proposed percentage change in rates for Standard (A) Commercial Regular, 4.1%, Commercial Enhanced Carrier-Route, 3.2%.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.



R. Brian Corcoran

September 17, 1997