

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268B0001

REPOSITIONABLE NOTES PROVISIONAL SERVICE

Docket No. MC2004-5

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS KANEER  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(NNA/USPS-T2-1-5)

The United States Postal Service hereby provides the responses of witness Kaneer to the following interrogatories of the Office of Consumer Advocate: NNA/USPS-T1-1-5, filed on August 16, 2004.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 26, 2004

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS KANEER  
TO INTERROGATORIES OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T2-1 Do you agree that one element of value of service typically considered under 39 USC 3622(b) could include the degree to which the mailer experiences competition from within or outside the mailstream and therefore may find postal rates or services cost-effective, or not, depending upon its relation to competitors' costs?

RESPONSE:

Subsection 3622(b)(2) provides that the value of the mail service actually provided to both the sender and the recipient be considered when establishing rate levels. One of the indicators of value of service often cited at the subclass level is own-price elasticity. If a product has a high elasticity, it can be inferred that the product has relatively low value, due to the ease with which its customers are willing to substitute another product. So, to the extent that substitution is considered or is possible, it may affect this measure.

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NNA/USPS-T2-2 Are you aware of the use of RPNs by privately-delivered newspapers in the United States today? If your response is affirmative, please explain how you believe that usage would affect competitors of those newspapers wishing to use RPNs under the proposal in this docket?

RESPONSE:

Yes, I have been informed that RPNs are used by newspapers that are privately delivered. To the extent that newspapers wishing to use the RPNs as proposed in this docket are denied that opportunity, then privately-delivered papers using RPNs may have an advantage, all else equal.

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NNA/USPS-T2-3 If your response to NNA/USPS T2-3 was negative, would it be reasonable to assume that a postal customer desiring to use RPNs in competition with a privately-delivered newspaper also using RPNs would be extremely concerned about cost of postage?

RESPONSE:

Not applicable. (I assume you are referring to NNA/USPS-T2-2, which I answered in the affirmative.)

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NNA/USPS-T2-4 If you were to assume that a within county periodicals mailer desiring to use RPNs operates in a market where a competitive privately-delivered newspaper is able to use RPNs for a negligible incremental cost, would your consideration of a separate rate for the within county mailer be different from the rates proposed by the Postal Service in this docket? Please explain your response.

RESPONSE:

No. There are a number of factors that may vary among the wide variety of potential users of RPNs, yet that does not indicate a requirement for a wide variety of prices. However, my testimony does identify several factors that warrant a lower price for a large, distinct grouping: First-Class Mail.

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NNA/USPS-T2-5 At the time you submitted your testimony, had you considered a separate rate for Repositionable Notes for the within county subclass? If your answer is negative, do you now believe a separate rate would be appropriate?

RESPONSE:

In formulating my testimony, I did not consider a specific RPN rate for the within county subclass, although I did consider the possibility of varying rates at the subclass level, rather just at the class level as was ultimately proposed. But given the short duration of the test and the difficulty of identifying appropriate relative differences among subclasses in the absence of economic data regarding demand for RPNs, the better course seemed to be to allow the test to proceed and then make future adjustments based on the reaction of different mailing segments to the proposed prices.

## **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.

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