

ORIGINAL

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0000

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
THE OFFICE OF THE CONSUMER ADVOCATE WITNESS SHERMAN  
(USPS/OCA-T100-1-18)

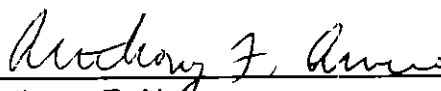
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Office of the Consumer Advocate witness Sherman: (USPS/OCA-T100-1-18).

Respectfully submitted,

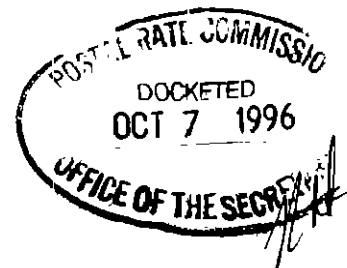
UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
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October 7, 1996



USPS/OCA-T100-1. Please refer to page 4 line 1 of your testimony.

- a. Please define "optimal pricing" or the principle of optimal pricing.
- b. Please identify all distinctions between "optimal pricing" and "market based pricing" as you understand those terms.

USPS/OCA-T100-2. Please refer to page 5 lines 10-13 and page 9 lines 15-22 of your testimony.

- a. You state that it appears that money orders are currently priced below attributable costs. Provide citations to the record to support this proposition.
- b. In what respect are money orders a money losing special service?
- c. How do money orders fail to cover their attributable costs?
- d. Is it your testimony that money orders fail to meet criterion (b)(3) of section 3622 of Title 39, United States Code?
- e. What type of characteristics would you expect the recipients of money orders to exhibit?
- f. What type of characteristics would you expect the recipients of COD service to exhibit?

USPS/OCA-T100-3. Please refer to page 6 lines 3-9 of your testimony.

- a. Please define your understanding of "market power."
- b. Please identify all quantitative means, measurements, or equations known to you by which market power or monopoly power may be evaluated.
- c. Please attach copies of pages 97-102 of F.M. Fisher et al., Folded, Spindled, and Mutilated: Economic Analysis of U.S. vs. IBM to your response to this interrogatory.

USPS/OCA-T100-4. Please refer to page 13 lines 23-25 of your testimony. In reaching your conclusion that it is difficult to identify costs for the new levels of insurance service, did you consider Lyons WP A page 5 before your testimony was filed?

USPS/OCA-T100-5. Please refer to pages 15 line 19 to page 16 line 15 of your testimony.

- a. Please provide all information of which you were aware regarding Mr. Popkin's background and credentials at the time you drafted your testimony in this docket.

- b. Have you ever cited Mr. Popkin in any other publication or publicly available document?
- c. Are you familiar with Mr. Popkin's educational background and credentials? If so, please explain in full.
- d. Are your conclusions based on the belief that handling procedures and transportation methods for uninsured registry do not vary as value of the article increases?

USPS/OCA-T100-6. Please refer to page 18 line 15-18 of your testimony.

- a. Do you contend that witness Needham has not presented accurate proposed certified mail costs and revenues at Tr. 4/1073 for Docket Nos. R90, R94, and MC96-3?
- b. If your answer to (a) is anything but an unqualified no, please identify all inaccurate information at Tr. 4/1073, and explain how one would derive accurate information about costs and revenues for certified mail.
- c. What is your understanding of the after-rates cost coverage for certified mail in Docket Nos. R90 and R94? Please explain in detail.
- d. Do you contend that any past inaccuracies in the manner in which certified mail revenues, costs, and cost coverages were reported, which in fact contributed to pure certified mail cost coverages below 100 percent (see Tr. 4/1073), should preclude the Commission from taking remedial steps in this proceeding?

USPS/OCA-T100-7. Please refer to page 18 lines 23 to 26 of your testimony.

- a. Could an explanation for the fact that a product is much less costly than alternatives to that product be that the product is priced below cost?
- b. Could an explanation for the fact that a product is much less costly than alternatives to that product be that the product is priced below market price?
- c. Do you contend that it is irrational for a firm to attempt to raise prices of its products to be closer to prices of alternative products?

USPS/OCA-T100-8. Please refer to page 20 lines 24-26 and page 21 lines 1-4 of your testimony.

- a. As a general matter, is a mailer better off sending a mailpiece with the correct or an incorrect address?
- b. What, in your opinion, do you think a mailer would prefer: sending a mailpiece

with an incorrect address or sending a mailpiece with a correct address?

- c. Please identify all of the advantages that accrue to a mailer who uses a correct address versus one who uses an incorrect address?
- d. What do you understand to be all of the disadvantages, from the mailer's perspective, of using an incorrect address?
- e. Would you agree with the proposition that correct address information could aid a caller and telephone information operator in identifying a telephone customer, particularly when the listing sought is of a customer with a common first and last name, such as James Brown or David Smith? If not, why not?
- f. Isn't it true that a correct address could aid an individual in addressing a package sent via an alternative delivery carrier?
- g. Isn't it true that correct address information could aid an emergency assistance personnel such as fire or police services in promptly providing assistance, particularly when such services are requested by one individual on behalf of another person located elsewhere?

USPS/OCA-T100-9. Please refer to page 21 lines 15-16 of your testimony.

- a. Do senders of articles having no value sent via Express Mail subsidize, directly or indirectly, the merchandise insurance coverage of Express Mail?
- b. Does the sender of an article having no value sent via Express Mail value the merchandise insurance feature of Express Mail?
- c. Is it fair to say that the proposal for return receipts is a combination of two proposals, one restructuring the classification for this service and proposing a fee for that service?

USPS/OCA-T100-10. Please refer to page 23 line 2 of your testimony.

- a. Is it fair to say that a demand elasticity of -0.17 is relatively inelastic?
- b. What is the effect of a price increase on a product exhibiting relatively inelastic demand?

USPS/OCA-T100-11. Please refer to page 24 of your testimony.

- a. Are you aware that plain postcards may be purchased from private vendors? If your answer is affirmative, please explain.
- b. Assuming that postal cards were no longer sold by the Postal Service,

- 1) is it fair to say that privately printed plain postcards would serve as an adequate substitute for them?
  - 2) isn't it fair to say that some of the lower cost characteristics exhibited by postal cards, such as the addressing techniques suggested by witness Patelunas, could also be exhibited by plain, privately printed post cards used by today's customers of postal cards? Please explain your response.
- c. What, in your opinion, would be the likely effect on attributable costs for the post card single-piece rate if more lower cost pieces were entered at that rate category?
  - d. Isn't it true that all users of the postal and postcard subclass pay, to some degree, for the manufacturing costs of postal cards? If your answer is no, please explain.
  - e. Do private postcard users pay, through postcard postage, for the stationery provided to postal card users? If your answer is anything other than an unqualified no, please explain.
  - f. Do private postcard users value free stationery given to postal card users? If your answer is anything other than an unqualified no, please explain.
  - g. Do postcard users receive any benefit from the free stationery provided to postal card users? If your answer is anything other than an unqualified no, please explain.

USPS/OCA-T100-12. Please refer to page 5 line 15 of your testimony.

- a. Please define the term "welfare considerations."
- b. How do welfare considerations relate to the pricing criteria of the Postal Reorganization Act?

USPS/OCA-T100-13. Please refer to page 27 lines 1-19 of your testimony.

- a. Other than circumstances in which post office box service is the only available means of postal delivery, isn't it true that post office box customers may receive "dual" delivery, i.e., at their residence or place of business and at the post office box?
- b. If post office box customers are in fact eligible for dual delivery and elect to receive mail at both their residence (or place of business) and their post office box, doesn't that have the effect of eliminating, or at least reducing, the delivery savings you claim attend the provision of post office box service?

USPS/OCA-T100-14. Please refer to page 6 line 15 through page 7 line 13 of your testimony.

- a. Please identify all the products for which you claim detailed cost information is needed to perform pricing analysis and draw comparisons to competitive products.
- b. For each product identified in (a), describe in detail the cost information that you claim has not been provided in the record in this proceeding or Docket No. R94-1.

USPS/OCA-T100-15. Please refer to your testimony at page 7 line 21 to page 8 line 1.

- a. Please explain your definition of interrelatedness in economic terms.
- b. Is it your testimony that when one product is interrelated with another product, each can be a substitute of the other?
- c. For each product for which you claim information concerning its interrelationship with another product is lacking, please identify the product, all products with which it is interrelated (as that concept is defined in part (a)), and the information that you claim is lacking, either in this record or Docket No. R94-1.

USPS/OCA-T100-16. Please refer to your testimony at page 31, lines 17-18, and page 32, lines 1-4. Do you believe that the higher prices for CMRA boxes are based only on higher costs, compared to the Postal Service's costs? If not, what other factors might underlie the CMRA prices?

USPS/OCA-T100-17. Please refer to Exhibit OCA-101. Please provide copies of the following articles:

Roger Sherman & Robert Tollison, "Public Policy Toward Oligopoly,"  
Antitrust Law and Economics Review, Vol. 4 (Summer 1971).

Sherman, Roger, "Entry Barriers and the Growth of Firms," Southern  
Economic Journal, Vol. 38, (October 1971).

Sherman, Roger, "The Rate-of-Return Regulated Public Utility Firm is  
Schizophrenic," Applied Economics, Vol. 4 (March 1972).

Sherman, Roger & George, Anthony, "Second-Best Pricing for the U.S.  
Postal Service" Southern Economic Journal, Vol. 45 (January 1979).

Sherman, Roger, "Pricing Inefficiency under Profit Regulation," Southern  
Economic Journal, Vol. 48 (October 1981).

Sherman, Roger, "Pricing Behavior of the Budget Constrained Public  
Enterprise," Journal of Economic Behavior and Organization, Vol. 4  
(1983).

Sherman, Roger, "Institutional Design for Monopoly Regulation," *European Journal of Political Economy*, Vol. 5 (December 1989).

Sherman, Roger, "Capital Waste in the Rate-of-Return Regulated Firm," *Journal of Regulatory Economics*, Vol. 4, (December 1992).

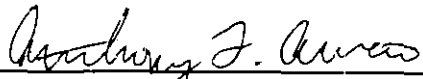
Sherman, Roger, "Monopoly Regulation: From Legal Unrealism to Unreal Legalism and Beyond," *Review of Industrial Organization*.

Sherman, Roger, "Should Ramsey-Price Markups Differ?" *Journal of Regulatory Economics*.

USPS/OCA-T100-18. Please refer to page 8 line 20 of your testimony. Please define "socially optimal pricing."

**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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October 7, 1996