

ORIGINAL

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

UNITED STATES POSTAL SERVICE
FOLLOW-UP INTERROGATORIES AND REQUESTS FOR PRODUCTION OF
DOCUMENTS TO
THE OFFICE OF THE CONSUMER ADVOCATE WITNESS SHERMAN
(USPS/OCA-T100-60)

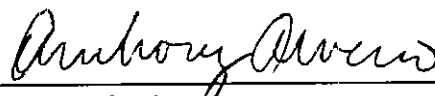
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Office of the Consumer Advocate witness Sherman: (USPS/OCA-T100-60).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

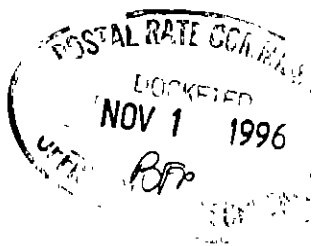
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Anthony F. Alvemo

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November 1, 1996



USPS/OCA-T100-60. Please refer to your response to USPS/OCA-T100-22. You state that, "[t]he words 'market power' and 'monopoly power' are often used to represent the power to raise price."

- a. Is your statement intended to be consistent with the statement of Fisher *et al.* at page 20 of *Folded, Spindled, and Mutilated* that "[m]onopoly power is the ability to raise prices above competitive levels or to market inferior products while excluding competition."? Please explain any negative response.
- b. Do you agree that the statement in subpart (a) is the economist's version of the law's definition of monopoly? Please explain any negative response.
- c. Do you agree with the statement of Fisher *et al.* at page 99 of *Folded, Spindled, and Mutilated* that "[m]onopoly power is not present when a firm can keep its business only by means of lower prices or better products than its competitors'" Please explain any negative response.
- d. Do you agree that monopoly power can be analyzed by examining the ease with which buyers can turn to other sellers and substitute products and the readiness with which competitors will expand output if the monopolist appears to be reaping monopoly profits? Please explain any negative response.
- e. Do you agree with the statement of Fisher *et al.* at page 108 of *Folded, Spindled, and Mutilated* that "the touchstone question in using market share as any kind of indicator of monopoly power is whether an attempt to exploit customers would lead to a sharp reduction in market share."? Please explain any negative response.
- f. Is it your testimony that if the USPS proposed fee for certified mail is implemented,
 - i) such fee would be higher than the prices of competitors' offerings?
 - ii) it would not be easy for Postal Service customers to substitute other competitors' products for certified mail?
 - iii) it would not be easy for Postal Service competitors to increase their output of competing products?

iv) it would not be easy for competitors of the Postal Service to enter the market for products competing with certified mail?

Please explain your response.

g. Is it your testimony that if the USPS proposed fees for post office boxes are implemented,

i) such fees would be higher than the prices of competitors' offerings?

ii) it would not be easy for the Postal Services' customers to substitute other competitors' products for post office boxes?

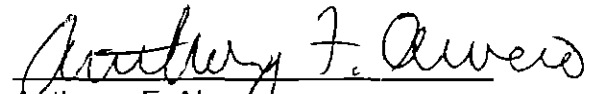
iii) it would not be easy for Postal Service competitors to increase their output of competing products?

iv) it would not be easy for competitors of the Postal Service to enter the market for those products?

Please explain your response.

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.


Anthony F. Alverno

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