

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

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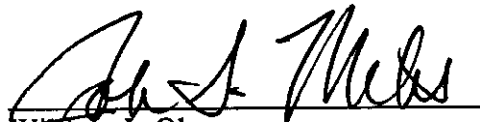
POSTAL RATE AND FEE CHANGES, 2000)

Docket No. R2000-1

ASSOCIATION OF PRIORITY MAIL USERS, INC.
SECOND INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS MAURA ROBINSON (APMU/USPS-T34-16-32)
(March 2, 2000)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, the Association of Priority Mail Users, Inc. ("APMU"), hereby submits the following interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate Postal Service witness.

Respectfully submitted,

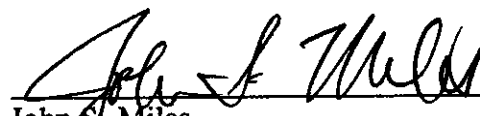


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CERTIFICATE OF SERVICE

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.



John S. Miles

March 2, 2000

APMU/USPS-T34-16.

Please refer to Attachment C, page 2 (Test Year Before Rates Volume (One pound pieces reallocated)) and Attachment D, page 1 (Test Year After Rates Volume with One Pound Rate) to your testimony.

- a. Please confirm the following data:

Priority Mail	Current rate	Proposed rate	Percent Increase
One-pound	\$3.20	\$3.45	7.81 percent
Flat-rate	\$3.20	\$3.85	20.31 percent
Two-pound	\$3.20	\$3.85	20.31 percent

Priority Mail	TYBR volume	TYAR volume	Percent Decrease
One-pound	500,703,317	461,227,583	8.56 percent
Flat-rate	35,985,441	33,148,328	8.56 percent
Two-pound	493,746,619	454,819,354	8.56 percent

- b. Why do you anticipate that a 7.81 percent increase in rates will have the same effect on the TYAR volume of one-pound pieces as a 20.31 percent increase in rates will have on flat-rate and two-pound pieces?
- c. Priority Mail's own-price elasticity has been identified as -0.819 (*see, e.g.,* USPS-T-32, p. 26). (i) Why doesn't the 20.31 percent increase in rates suggest a 16.63 percent decrease in the volume of two-pound and flat-rate Priority Mail? (ii) With a combined TYBR volume of 529,732,060, this would reflect a loss of

more than 88 million pieces of Priority Mail volume at the two-pound and flat rate, substantially more than the 41.8 million pieces which you project, would it not?

APMU/USPS-T34-17.

Please provide all data in possession or control of the Postal Service showing Priority Mail's share of the expedited delivery market in which it competes, *i.e.*, the 2-day to 3-day market.

- a. Please provide base year 1998 data as well as the most current data available on the market for second day delivery, showing the Postal Service's share of that market in terms of pieces and in terms of revenues.
- b. If available, provide the market share data for available weight ranges (*e.g.*, up to two pounds, more than two and less than five pounds, and over five pounds).

APMU/USPS-T34-18.

- a. Please provide copies of all published rates of competitors (such as FedEx, UPS, TNT, DHL, and Airborne) in the possession of the Postal Service for delivery services that compete with Priority Mail. Please include rates for UPS guaranteed three-day service if available, and Airborne's new Airborne@Home Service.

- b. When you decided to propose a higher-than-average increase for Priority Mail, what consideration did you give to the published two-day and three-day rates charged by FedEx, UPS and other competitors?
- c. To the best of your knowledge, information, and belief, what is the range of discounts from published rates offered by FedEx, UPS, and other competitors?
- d. What consideration did you give to discounts or negotiated or unpublished rates that competitors are known to give to shippers who regularly use their respective two-day services?
- e. What consideration did you give to the market share of Priority Mail by weight segment?
- f. Prior to finalizing your proposed rate design for Priority Mail, did you assess the competitive situation in consultation with persons assigned responsibility for marketing Priority Mail?

APMU/USPS-T34-19.

- a. Please confirm that your proposed rates for Priority Mail include a full markup and contingency on all distance-related transportation costs. If you do not confirm, please explain how distance-related transportation costs are treated with respect to markup.
- b. When designing Priority Mail rates, please explain why distance-related transportation costs should be subject to a full passthrough plus a full markup

and contingency, while dropship discounts in the Standard A subclass reflect only a partial passthrough of distance-related transportation costs.

APMU/USPS-T34-20.

Please provide as a library reference the contract(s) with commercial air carriers now in effect.

APMU/USPS-T34-21.

Please refer to your Attachment F, line m, to your testimony.

- a. Why is a Priority Mail Target Cost Coverage of 184.0 percent used for your Non Transportation Cost Per Piece Development, when the Postal Service is proposing a cost coverage for Priority Mail of 180.9 percent (see USPS-T-32, p. 25)?
- b. Please consult Attachment F, and confirm that, if the cost coverage of 180.9 is used to calculate the net nontransportation cost per Piece Rate Element, instead of 184.0 percent, that element becomes \$3.02450, instead of \$3.100746. If you do not confirm, please explain.
- c. Please refer to Attachment G, p. 3, to your testimony. Please confirm the following Per Pound Rate Element calculations. Column (1) was taken from attachment G, p. 3; column (4) is calculated here. If you do not confirm, please explain.

Zone	(1) Cost Coverage Applied	(2) Per Pound Rate Element	(3) Cost Coverage Applied	(4) Per Pound Rate Element
L, 1, 2, 3	184.0%	\$0.415064	180.9%	\$0.408070
4	184.0%	\$0.658035	180.9%	\$0.646949
5	184.0%	\$0.675071	180.9%	\$0.663697
6	184.0%	\$0.769444	180.9%	\$0.756480
7	184.0%	\$0.963873	180.9%	\$0.947634
8	184.0%	\$1.270998	180.9%	\$1.249585

- d. Please confirm that such a correction in the cost coverage would support a reduction in Priority Mail rates. If you do not confirm, please explain.

APMU/USPS-T34-22.

Do distance-related air transportation costs shown in Attachment G to your testimony reflect the full amount of such costs, or only some fraction thereof? Please explain.

APMU/USPS-T34-23.

- a. What percentage of the base year volume of the Postal Service's proposed one-pound Priority Mail classification is believed to be subject to the Postal Service's statutory monopoly?
- b. What percentage of base year two-pound Priority Mail is believed to be subject to the Postal Service's statutory monopoly?

- c. What percentage of base year three-pound, four-pound and five-pound Priority Mail is believed to be subject to the Postal Service's statutory monopoly?
- d. What percent of base year zone-related Priority Mail is believed to be subject to the Postal Service's statutory monopoly?

APMU/USPS-T34-24.

How does the Postal Service identify distance- and non-distance-related transportation costs for:

- a. the Eagle Network?
- b. C-Net?
- c. Western Air?

APMU/USPS-T34-25.

In your opinion, does Priority Mail represent anything more than heavyweight (over 13 ounce) First-Class Mail? Unless your answer is an unqualified negative, please describe all distinguishing characteristics that you perceive (weight excepted, of course) in terms of acceptance, processing, transportation, delivery, theoretical service commitments, actual service performance, etc.

APMU/USPS-T34-26.

- a. What is the per-pound terminal handling charge and the per-pound/mile charge for Priority Mail currently paid for (i) air taxis, (ii) intra-Alaska commercial air,

(iii) intra-Alaska air to the Bush, and (iv) any other air operators (other than regular commercial airlines) used by the Postal Service to transport Priority Mail?

- b. Do any existing contracts with any of the above expire prior to the end of Test Year? If so, please stipulate the contract and date.
- c. Please identify any constraints on Postal Service procurement of air transportation services in Alaska imposed by law.

APMU/USPS-T34-27.

Please refer to pages 19 and 20 of your testimony. You state that you project delivery confirmation volumes associated with Priority Mail based (in part) on the adoption curve proposed by USPS witness Sharkey in Docket No. R97-1. Does your projection of TYAR manual delivery confirmation usage with Priority Mail reflect the proposed 14 percent increase in those rates? If so, what are the before and after rates usages which you use?

APMU/USPS-T34-28.

Please refer to Attachment K to your testimony. (i) Since witness Musgrave (USPS-T-8) uses a Base Year (for his Priority Mail volume estimates) of PFY 1999, and, as you point out (p. 19 of your testimony), delivery confirmation was available during PFY 1999, why do you make an adjustment to witness Musgrave's Priority Mail volume estimates to reflect "Incremental volume from Delivery Confirmation"? (ii) Please explain any role played by

witness Musgrave in developing your upward adjustment of his projection. (iii) Did he concur with your upward adjustments either before or after your testimony was submitted?

APMU/USPS-T34-29.

At Attachment J to your testimony, you provide forecasts of delivery confirmation transactions associated with Priority Mail for FY 2001. Witness Mayo proposes that signature confirmation "include delivery confirmation." How many of your forecasted delivery confirmation transactions for FY 2001 reflect signature confirmation transactions?

APMU/USPS-T34-30.

At page 18 of your testimony, you state that Priority Mail rate increases were "constrained to be within a 5 percent band around the average rate change for Priority Mail as a whole." What is the basis for the selection of 5 percent as the maximum variance from the average rate change for Priority Mail?

APMU/USPS-T34-31.

Please identify the percentage of Priority Mail that was unidentified as such and therefore handled as First-Class Mail during the Base Year.

APMU/USPS-T34-32.

In its *Opinion & Recommended Decision* for Docket No. R97-1, the Commission urged the Postal Service "to analyze and address the issue of marking up distance-related transportation

costs in the subclasses where this is currently done in preparing its next omnibus rate request.”

See p. 366, para # 5316. Has such an analysis been performed? If so, please provide a copy. If not, why not?