

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

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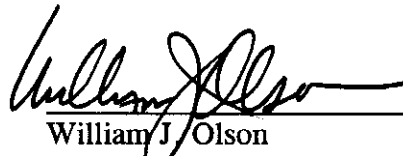
POSTAL RATE AND FEE CHANGES, 2000)

Docket No. R2000-1

ASSOCIATION OF PRIORITY MAIL USERS, INC.
FIRST INTERROGATORIES AND REQUEST FOR PRODUCTION OF DOCUMENTS
TO UNITED STATES POSTAL SERVICE
WITNESS VIRGINIA J. MAYES (APMU/USPS-T32-1-8)
(March 6, 2000)

Pursuant to sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the Association of Priority Mail Users, Inc. hereby submits interrogatories and requests for production of documents. If necessary, please redirect any interrogatories and/or requests to a more appropriate Postal Service witness.

Respectfully submitted,



William J. Olson

John S. Miles

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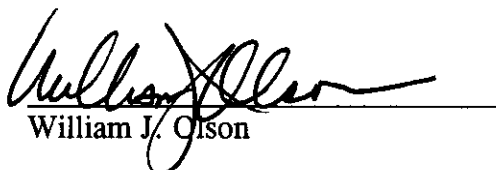
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served this document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



William J. Olson

March 6, 2000

APMU/USPS-T32-1.

At page 26 (l. 2) of your testimony, you state that Priority Mail “enjoys the same priority of delivery as First-Class letters....” Please cite all data and information (including anecdotal information) which you reviewed regarding actual delivery service received by Priority Mail during the Base Year and 1999, prior to recommending an average rate increase of 15 percent and a coverage of 180.9 percent. If you reviewed no such data or information, on what was this portion of your testimony based?

APMU/USPS-T32-2.

Prior to your decision to recommend a 15 percent increase in rates for Priority Mail and a coverage of 180.9 percent, did you review any part of the Inspector General’s report on the Priority Mail Processing Center network (September 24, 1999), Report No. DA-AR-99-00? Unless your answer is an unqualified negative, please describe what role the information contained in that report played in your testimony.

APMU/USPS-T32-3.

Please refer to your testimony at page 26, lines 18-21, where you discuss “the use of Priority Mail Processing Centers (PMPCs) in an effort to improve Priority’s service....” Please provide and discuss all data which you reviewed before submitting your testimony regarding delivery performance of Priority Mail (i) originating and destinating within the PMPC area, (ii) originating inside of and destinating outside of the PMPC area, and (iii) originating outside of and destinating inside of the PMPC area.

APMU/USPS-T32-4.

At page 27 (ll. 2-3) of your testimony, you note that “some materials shipped as Priority Mail are subject to the Private Express Statutes.”

- a. What types of materials shipped by Priority Mail fall within the Private Express Statutes and are not subject to any exemption under which companies such as Federal Express and United Parcel Service operate their expedited services? That is, what types of materials shipped by Priority Mail cannot be competed for by expedited courier companies?
- b. For those types of materials which you describe as not subject to competition by expedited courier companies, what is your best estimate as to the percentage of Priority Mail volume and Priority Mail revenue that is not subject to competition?

APMU/USPS-T32-5.

At page 26 (ll. 13-17) of your testimony, you state that “Priority Mail service does not necessarily include all of the product features, such as guaranteed service commitments, free insurance and free tracking service, offered as part of the service provided by such competitors as United Parcel Service, FedEx and other private service providers.”

- a. Please define the term “not necessarily” as you use it here.
- b. Would you agree that Priority Mail does not offer a “guaranteed service commitment” any time, any where, at any price? If you do not agree, please explain fully.

- c. Would you agree that Priority Mail does not offer “free insurance”? If you do not agree, please explain fully.
- d. Would you agree that for Priority Mail, the Postal Service does not offer “free tracking service” of the nature provided by competitors? If you do not agree, please explain fully.
- e. Would you agree that for Priority Mail the Postal Service also does not offer optional tracking service for a fee?

APMU/USPS-T32-6.

At page 30 (ll. 2-5) of your testimony, you state that “Unlike many customers of private expedited delivery firms, users of Express Mail are expected to either pay when tendering the mailpiece to the Postal Service, or maintain a balance in their corporate account.”

- a. Would you agree that a similar statement is equally true with respect to Priority Mail? If not, please explain why not.
- b. Would you agree that this is another product feature that Priority Mail lacks with respect to competitive private service providers? If not, please explain why not.

APMU/USPS-T32-7.

At page 26 (ll. 7-11) of your testimony, you note:

[T]he Priority Mail price elasticity (-0.819) is considerably higher (in absolute value) than that of First-Class Letters, indicating a

lower economic value of service. This measured own-price elasticity is also somewhat higher (in absolute value) than the Priority Mail own-price elasticity reported in Docket No. R97-1 of (-0.771).

- a. Would you agree that the increase you note in own-price elasticity could be an indication of increased competitiveness in the market in which Priority Mail competes? Please explain any disagreement or reservation you may have regarding this interpretation of the increase in own-price elasticity.
- b. If the rate for Priority Mail increases relative to the rates charged by private service competitors, would you expect a further increase in own-price elasticity? Please discuss why or why not.
- c. At page 27 (ll. 11-12) of your testimony, you note that "Priority Mail received a rate increase more than twice the system average in Docket No. R97-1...." Please discuss whether, in your opinion, the rate increase of more than twice the system average in the last rate case is (i) a cause of, or (ii) purely coincidental with, the increase in own-price elasticity.
- d. Please provide copies of all documents that you reviewed, prior to completing your testimony, concerning the extent and nature of competition in that portion of the expedited market in which Priority Mail competes, including, but not limited to, the market positioning and competitiveness of Priority Mail.
- e. Please indicate all discussions or briefings which you had, prior to completing your testimony, with knowledgeable people from the Expedited Service Group concerning the nature and extent of competition facing Priority Mail.

APMU/USPS-T32-8.

At page 29 (ll. 18-20) of your testimony, you note:

Express Mail's price elasticity, at (-1.565), is the highest own-price elasticity of all the subclasses, well above 1.0 in absolute value. This indicates an extremely low economic value of service.

Can you foresee the day when rate increases for Priority Mail that are well above the rate of inflation, and well above the system-wide average, will cause Priority Mail to have an own-price elasticity which is close to that of Express Mail? Please discuss, feeling free to cite protection conferred by the Private Express Statutes, or any other factors that you believe will prevent the Postal Service from "killing the goose that lays the golden eggs."