

BEFORE THE
POSTAL RATE COMMISSION

RECEIVED

MAR 8 10 41 AM '00

POSTAL RATE COMMISSION
OFFICE OF THE CLERK

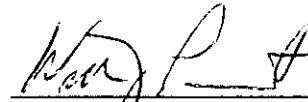
POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

INTERROGATORIES AND REQUEST FOR
PRODUCTION OF DOCUMENTS FROM
UNITED PARCEL SERVICE TO UNITED STATES
POSTAL SERVICE WITNESS MAYES
(UPS/USPS-T32-2 through 13)
(March 8, 2000)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatories and request for production of documents directed to United States Postal Service witness Mayes: UPS/USPS-T32-2 through 13.

Respectfully submitted,



John E. McKeever
William J. Pinamont
Phillip E. Wilson, Jr.
Attorneys for United Parcel Service

Piper Marbury Rudnick & Wolfe LLP
3400 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103-2762
(215) 656-3310
(215) 656-3301 (FAX)
and
1200 Nineteenth Street, NW
Washington, DC 20036-2430
(202) 861-3900

Of Counsel.

INTERROGATORIES OF UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS MAYES

UPS/USPS-T32-2. Refer to your testimony on pages 3-4, where you state that “[t]he Postal Service’s proposals in this case have fairness and equity as their most fundamental objectives.” Define “fairness” and “equity” as you have employed them to determine the proposed rates.

UPS/USPS-T32-3. Refer to your testimony on page 5, where you (1) discuss “the degree to which usage of the service declines in response to price increases,” and (2) state that this concept “has been referred to as the economic value of service.” Provide detailed citations to the economic literature that makes such references.

UPS/USPS-T32-4. Refer to your testimony on page 8, where you state that “the Postal Service has also considered the effect of its proposed rate increases on competitors, in order to ensure that no particular set of proposed rates or fees was designed with the specific goal of harming a competitor or group of competitors.” If, in fact, the rates were not designed with the specific goal of harming competition or competitors, would they necessarily satisfy the fourth criteria in Section 3622(b) of the Postal Reorganization Act?

UPS/USPS-T32-5. Refer to your testimony on page 9, where you discuss the fifth criterion in Section 3622(b) of the Postal Reorganization Act and list alternative means of sending and receiving mail matter at reasonable cost. You do not explain how the presence of alternative means should affect proposed rates. Explain what you believe to be the proper qualitative relationship between rates and the availability of reasonable service alternatives.

INTERROGATORIES OF UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS MAYES

UPS/USPS-T32-6. You generally propose modest rate increases on those services with relatively low economic value (defined as a relatively high price elasticity of demand) and more significant increases on services with relatively high economic value (defined as relatively low price elasticities of demand). Refer to your testimony on page 19, where you state: "no formal use is made of . . . Ramsey prices," and that "movement toward or away from Ramsey prices . . . did not significantly affect conclusions."

(a) Explain the difference between setting rates based on Ramsey principles and setting rates based on the concept of economic value.

(b) Define precisely the term "significant" as you are using it in this context.

UPS/USPS-T32-7. Refer to your testimony on page 22, where you state that the proposed rate increase for First-Class Letters and Sealed Parcels "reflects the concern of the Postal Service about emerging alternatives for . . . customers." Explain the exact manner in which this concern is reflected in the proposed rate increase.

UPS/USPS-T32-8. Refer to your testimony on page 23 and explain why the Postal Service proposes to raise the rate for single-piece cards by 4.9 percent but proposes no increase at all for Qualified Business Reply Mail.

UPS/USPS-T32-9. Refer to your testimony on page 29, where you report that "in the cases preceding Docket No. R97-1, the markup for Express Mail was intentionally mitigated in order to preserve the class of mail in the context of increasing competition."

INTERROGATORIES OF UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS MAYES

Explain how you believe that this rationale for limiting rate increases is consistent with the fifth criterion in Section 3622(b) of the Postal Reorganization Act.

UPS/USPS-T32-10. Refer to your testimony on page 30, where you state that the "proposed rate increase [for Express Mail] . . . should not have a significant effect on competitors." Explain the term "significant" as you are using it in this context.

UPS/USPS-T32-11. Refer to your testimony on page 41, where you state that "[t]here is little doubt that competitors of Parcel Post will continue to compete successfully despite the relatively low increase in Parcel Post rates" Explain the term "compete successfully" as you are using it in this context.

UPS/USPS-T32-12. Refer to USPS-32B, Page 1, as revised 2-18-00. Explain in detail the relationship between the Test Year After Rates Revenue shown for Parcel Post of \$1,200,362 thousand to the Test Year After Rates Revenue for Parcel Post of \$1,211,452,068 shown in Exhibit K of USPS-T-36 (Plunkett).

UPS/USPS-T32-13. Refer to USPS-32A, Page 1, as revised 2-18-00. Explain in detail the relationship between the Test Year Before Rates Revenue shown for Parcel Post of \$1,196,441 thousand to the Test Year Before Rates Revenue for Parcel Post of \$1,197,799,658 shown in Exhibit K of USPS-T-36 (Plunkett).

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Commission's Rules of Practice.

A handwritten signature in black ink, appearing to read 'W. J. Pinamont', written over a horizontal line.

William J. Pinamont
Attorney for United Parcel Service

Dated: March 8, 2000
Philadelphia, Pa.

60030