

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MAYES
TO INTERROGATORIES OF ASSOCIATION OF ALTERNATIVE POSTAL SYSTEMS
(AAPS/USPS-T32-1, 4-10,11(d),12)

The United States Postal Service hereby provides the responses of witness Mayes to the following interrogatories of Association of Alternative Postal Systems: AAPS/USPS-T32-1, 4-10, 11(d) and 12 (filed on February 23, 2000).

Each interrogatory is stated verbatim and is followed by the response.

Objections to AAPS/USPS-T32-2 and T32-3 were filed on March 6, 2000.

Interrogatories AAPS/USPS-T32-11(a)-(c) have been redirected to the Postal Service for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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March 14, 2000

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-1. Your testimony addresses, among other issues, the effect of the proposed rates on Postal Service competitors. Have you read the "SAI Study" of alternate delivery commissioned by the Postal Service that was the subject of significant controversy in recent cases? If so, when. If you have read it, please explain how you relied upon its discussion and conclusions concerning the impact of the proposed rates on alternate delivery companies.

Response:

No.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-4. With respect to your testimony at page 8, lines 14-17, please explain to what extent it is relevant whether rates "were designed with the specific goal of harming a competitor or group of competitors" as opposed to whether the rates have that effect, whether intentionally or unintentionally.

Response:

Please refer to my responses to NAA/USPS-T32-2 and NAA/USPS-T32-19b. I believe it is relevant whether the rates cause harm intentionally or unintentionally. Given that, unlike the Postal Service, other providers of delivery service are not required to reveal their cost structures, rate application procedures, pricing practices, or other customer service practices, the Postal Service may unknowingly design prices that cause harm to a competitor. An opportunity to prevent unfair harm is made available through the public process through which postal rates and fees are decided. Concerned parties, including competitors of the Postal Service, have an opportunity to present compelling evidence that the proposed rates would cause them specific harm.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-5. Please define "unfair price competition" as you use the term at page 8, line 18. Can there ever be "unfair price competition" if the price of a postal service covers its incremental costs" ? If so, under what circumstances?

Response:

Please refer to my response to your interrogatory AAPS/USPS-T32-4 and to NAA/USPS-T32-2.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-6. At page 13, you address the Postal Service's decision to depart from its traditional approach toward pricing Nonprofit ECR mail, which would otherwise have suffered an increase in excess of 30%.

(a). Is there private sector competition for the delivery of Nonprofit ECR mail?

(b). If Congress and the Commission permit the rate treatment that you propose for Nonprofit ECR mail, what other mailers will pay the revenues that would have been paid by these Nonprofit ECR mailers had they faced a 30% increase?

Response:

(a) There may be other means by which to provide the same material to the recipient, perhaps by use of other media such as advertisements or flyers left on doorknobs, but I am unaware of private sector competition that would deliver the same material to the recipients' doors in the same manner as does the Postal Service.

(b) The institutional cost burden that would have been borne by these mailers will be spread, through the application of the pricing criteria, to mailers in all other subclasses. Because the rate levels are determined as part of a cohesive whole, I cannot pinpoint which particular subclass will bear this burden or even the majority of this burden, nor was a conscious decision made to shift the institutional burden from Nonprofit ECR to any particular subclass. In my testimony I point to several subclasses of mail, including Priority Mail, Periodicals, and Bound Printed Matter, which received some mitigation of their cost coverages in deference to criterion 4 (impact on

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

Response to AAPS/USPS-T32-6, cont'd

mailers). The treatment of the "lost" contribution from Nonprofit ECR was similar to the treatment of the "lost" contribution from these other subclasses which received some mitigation of their cost coverages.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-7. At page 38, you reveal a desire to reduce the cost coverage of ECR mail. In arriving at this goal, to what extent did you consider the per piece contributions of this and other classes, as opposed to the percentage cost coverages?

Response:

Please refer to my response to NAA/USPS-T32-13.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-8. With respect to honoring requested in-home delivery dates, please explain the difference, if any, between the words "may attempt to satisfy" used on page 35, line 19, with respect to Standard (A) Regular and "may be able to accommodate," used on page 38, line 12, with respect to ECR mail.

Response:

I did not mean to make any distinction between the two services or phrases.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-9. Please confirm that the Postal Service tries very hard to meet the requested in-home dates for ECR mail and provide an estimate of the percentage of success in meeting those dates.

Response:

The Postal Service tries to meet the delivery standards and service commitments for all of its mail, with varying degrees of success. I am informed that the Postal Service has no system by which to determine for all, or a representative sample, of ECR mail for which delivery is requested within a given time frame the percentage of such mail that is delivered within the requested time frame. For individual mailings with specific characteristics, the ADVANCE system does permit the mailer and the Postal Service to monitor the percentage of the mailing that is delivered within the requested time frame. However, mailers' participation in the ADVANCE program is voluntary and the data on particular mailings are confidential and available only to the individual mailer.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-10. You state that accommodating in-home delivery dates requires "mailer preparation, coordination and planning." Does it also require Postal Service preparation, coordination and planning? If so, are all of the costs associated with such coordination and planning attributed to ECR mail? If not, what percentage are institutional costs?

Response:

Meeting the service needs of all classes and categories of mail requires Postal Service "preparation, coordination and planning." Anticipating and tracking mail volume and workload fluctuations, arranging for the deployment of staff and other resources to best handle these fluctuations and service requirements is a primary focus of Postal Service management. Some of this work would be done by craft employees, but most would be done by managers and supervisors at the plants, stations, branches, Area offices and national headquarters and by support functions such as In-Plant Support and Operations Program Support at the Area, District and plant levels. I am told that the attribution and distribution of such costs are described in USPS-LR-I-1, for cost segments 1, 2, and 18.1.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-11. At pages 38 and 39 you address ECR mail, competitors and competition.

(a). Please confirm that the Postal Service (actually, the Post Office Department) has defined the term "letter" in such a way that an alternate delivery company may not deliver a supermarket advertisement to half of the people living in a given neighborhood without paying the postage.

(b). Please confirm that, under the definition of "letter" implemented by the Postal Service, that supermarket brochure (unless it exceeds 32 pages) may be delivered by an alternate delivery company (without paying postage) only if it is delivered to every address.

(c). Please confirm that, given the Private Express Statutes and the Postal Service's definitions implementing them, the most relevant rate for determining impact on private delivery companies such as AAPS members is the rate for saturation ECR at weight levels above the break point.

(d). If the Postal Service's proposal for rate reductions as high as double digits for saturation ECR mail are approved, do you believe that such rate reductions will adversely affect Postal Service competitors? If so, please explain what steps, if any, the Postal Service took to determine the extent of that adverse affect.

Response:

(a) Redirected to the Postal Service.

(b) Redirected to the Postal Service.

(c) Redirected to the Postal Service.

(d) In the absence of detailed information regarding the pricing practices of the competitors as well as an understanding of the relative importance of prices in the array of issues which may have a bearing on the choices made by the advertisers, I cannot say. The net effect of the pricing changes in the ECR subclass as a whole was to cause a decline in ECR volume of approximately 2.4 percent from TYBR to TYAR. It is possible

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

Response to AAPS/USPS-T32-11, cont'd

that some of that volume shifted to other postal services; it is also possible that some of that volume shifted to private providers of delivery services.

At a finer level of detail, the following volume impacts (please refer to the testimony of witnesses Thress (USPS-T-7) and Tolley (USPS-T-6)) are forecasted to result from the proposed changes to rates:

	% Change Volume
Enhanced Carrier-Route	-2.4%
-- Automated	-2.1%
-- Nonautomated	-2.4%
(Basic Letters)	-3.8%
(Basic Nonletters)	-2.2%
(High-Density Letters)	-4.6%
(High-Density Nonletters)	0.9%
(Saturation Letters)	-4.9%
(Saturation Nonletters)	-1.5%

The only category of ECR mail that is not forecasted to experience a decrease in volume from TYBR to TYAR is the category of high-density nonletters, and that category is only forecasted to experience an increase of less than one percent.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES


AAPS/USPS-T32-12. In Docket No. R97-1, AAPS witness Bradstreet quoted (Tr. 11911) with alarm former Postmaster General Runyon's apparent glee at having forced a private, hard-copy delivery firm out of business. Under the leadership of Postmaster General Henderson, has the Postal Service abandoned the views expressed by Mr. Runyon, or is it still considered to be a sign of Postal Service success when private sector competitors are forced to shut down?

Response:

In certain venues, there may be a certain level of rhetoric associated with the Postal Service's posturing itself as a player in competitive markets, but I would not say that such rhetoric indicates a policy of considering the failure of another firm to be necessary for or indicative of postal success. Rather, I would say that it is an organizational desire to meet the needs of postal customers by providing useful services at reasonable prices. Meeting these goals may result in success in the marketplace. Additionally, although such sentiment may be somewhat misplaced, continued success in markets where others have failed may be interpreted as validation of the remaining firms' service and prices. Survival in a competitive market provides some reassurance that the Postal Service is continuing to serve the needs of its customers.

DECLARATION

I, Virginia J. Mayes, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

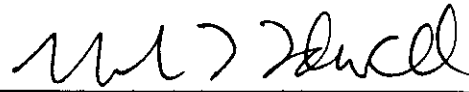

Virginia J. Mayes

Dated:

3-14-00

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.

A handwritten signature in black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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