

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 MAIL ORDER ASSOCIATION OF AMERICA
(MOAA/USPS-T32-1 THROUGH 10)

The United States Postal Service hereby provides the responses of witness Mayes to the following interrogatories of Mail Order Association of America (MOAA): MOAA/USPS-T32-1 through 10 (filed on March 7, 2000).

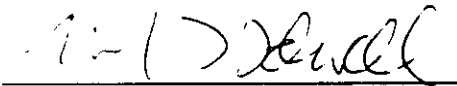
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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March 21, 2000

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO MOAA INTERROGATORIES

MOAA/USPS-T32-1. Do you agree that with the exception of criteria 2 and 4 that the rate making criteria found in Section 3622 (b) apply to the rates proposed by the Postal Service; not to the amount of increase that may have been proposed? If your answer is anything other than an unqualified yes, would you please explain

Response:

The ratemaking criteria in Section 3622(b) are to apply to rate levels. I would agree that, with the exception of criterion 4, the pricing criteria should apply to rate levels as opposed to rate increases (or decreases).

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO MOAA INTERROGATORIES

MOAA/USPS-T32-2. On page 45 of your testimony you state that the Postal Service has given criterion 8 ECSI value some consideration in the proposed rates for bound printed matter. Would you please provide a ranking or a more objective statement as to how much consideration was given to criterion 8 in the rate levels proposed for BMP [sic]?

Response:

Please refer to my response to AAP/USPS-T32-4. I am not aware of any circumstance in which either the Commission or the Postal Service has indicated the specific "points" or "rankings" by which the various pricing criteria were applied. However, I will point out that, just as the Commission did in its recommended decision for Docket No. R90-1 (PRC Op., R90-1, para. 6519), I have again proposed that the cost coverage for Bound Printed Matter be below the systemwide average.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO MOAA INTERROGATORIES

MOAA/USPS-T32-3. You state that "a substantial number of books have been mailed as Bound Printed Matter." (page 45 of your testimony). Please provide any data you or the Postal Service has about the percentage of BPM that consists of books. If no such data exists, would you please provide a quantification of the percentage of BPM consisting of books that you assume to be "substantial" in making your rate recommendations?

Response:

Please refer to my response to AAP/USPS-T32-9.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO MOAA INTERROGATORIES

MOAA/USPS-T32-4. Is it your position that the presence of a substantial amount of advertising within a particular subclass should result in only a small application of criterion 8?

Response:

No. Commission precedent in the application of criterion 8 to mitigate cost coverage seems to have been limited to Periodicals, Special Standard, and to some extent, First-Class Letters and Bound Printed Matter. Arguably, depending on your definition of "substantial," there could be "substantial" advertising in Bound Printed Matter and in Periodicals, or even in First-Class Letters. As I indicate in my response to your interrogatory MOAA/USPS-T32-2, I am unaware of a way to measure "small application of criterion 8." Criterion 8 directs that consideration be given to the "educational, scientific, cultural and informational content" of the mail category. Without consideration of the content of the mail category, I fail to see how criterion 8 could be properly applied.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO MOAA INTERROGATORIES

MOAA/USPS-T32-5. You state on page 19 of your testimony that the Postal Service "does not advocate a mechanistic applications" of Ramsey pricing. You also state that Ramsey pricing "did not significantly effect [sic]" your pricing recommendations. Do you agree that it would be possible to give significant effect to Ramsey pricing without applying a Ramsey pricing model in a mechanistic fashion? Do you also agree that the failure to give Ramsey pricing "significant effect" inevitably results in an excess burden upon the mailing public?

Response:

I believe that it would be possible to set rate levels applying some of the principles of Ramsey pricing, using the Ramsey prices as guides or perhaps more closely tying the rate increases to the own-price elasticities in an inverse manner, for instance. Please refer to the testimony of witness Bernstein, USPS-T-41, for a discussion of the excess burden placed on the mailing public when pricing deviates from Ramsey pricing.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO MOAA INTERROGATORIES

MOAA/USPS-T32-6. In making your rate recommendations did you examine each subclass individually in comparison to all other classes and subclasses or did you also examine the relationship between all of the subclasses within a particular class?

Response:

I examined each subclass in comparison to each and every other subclass and class of mail, not just to other subclasses within the same class, and not just to the system average.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO MOAA INTERROGATORIES

MOAA/USPS-T32-7. You state on page 39 of your testimony that many of the pricing factors "would indicate a cost coverage even lower than that actually proposed" for ECR. Would you please identify each factor that would indicate a lower cost coverage?

Response:

Please refer to my responses to NAA/USPS-21 and NAA/USPS-T32-23.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO MOAA INTERROGATORIES

MOAA/USPS-T32-8. You state on page 44 that the rate increase and cost coverage for BPM "ensure that potential competitors are not unfairly targeted." Would you please identify the potential competitors to whom you refer?

Response:

Any other companies who effect delivery of books, catalogs or directories. The purpose of that statement was to address the concern that rate changes might have been targeted so as to cause harm to a competitor or set of competitors.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO MOAA INTERROGATORIES

MOAA/USPS-T32-9. If you had given criterion 8 full consideration rather than "some" consideration in proposing the rates for Bound Printed Matter, what cost coverage would have been proposed?

Response:

As criterion 8 is only one of many pricing criteria to which consideration is given, I cannot say that giving this criterion additional weight in the determination of the Bound Printed Matter rate level would have resulted in any change. As you wish to draw a distinction between "some" and "full" consideration of ECSI value, let me refer you to Exhibit USPS-32D where the proposed rate increases by subclass are shown. "Full" consideration of ECSI value was afforded to Periodicals. Rates for Outside County Periodicals are proposed to increase an average of 12.7 percent. The resulting cost coverages differ hardly at all from those recommended by the Commission in Docket No. R97-1 (see Appendix G, Schedule 1 of the PRC's Opinion). Bound Printed Matter, on the other hand is proposed to receive a rate increase of 18 percent with an associated markup that is half that recommended by the Commission in Docket No. R97-1.

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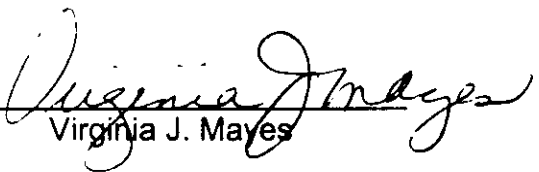
MOAA/USPS-T32-10. Do you regard that portion of telephone and other directories consisting solely of lists of names, i.e. without advertising messages, to be eligible for the application of criteria 8?

Response:

I think an argument could be made that such directories contain material of an informational nature. I am not sure what evidence would be required to differentiate such directories and their informational content from other materials such as might be sent as Standard Mail (A) which would also contain informational matter of a business nature and to which the application of criterion 8 has not applied.

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.

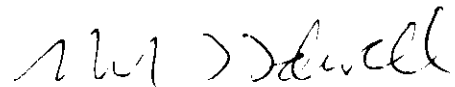

Virginia J. Mayes

Dated:

3-21-80

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.



Michael T. Tidwell

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