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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

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS BERNSTEIN TO INTERROGATORIES OF  
THE MAIL ORDER ASSOCIATION OF AMERICA  
(MOAA/USPS-T41-1 - 4)

The United States Postal Service hereby provides the responses of witness Bernstein to the following interrogatories of MOAA: MOAA/USPS-T41-1-4, 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.  
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March 21, 2000

RESPONSE OF POSTAL SERVICE WITNESS BERNSTEIN  
TO INTERROGATORIES OF MOAA

MOAA/USPS-T41-1. In your view, would the economic viability of the Postal Service be enhanced by the adoption of Ramsey prices, i.e., is it your view that minimizing volume loss resulting from increased prices would serve, all other factors being equal, to enhance the ability of the Postal Service to carry out its overall mission while at the same time enhancing consumer surplus?

RESPONSE:

I believe that greater consideration of demand factors in pricing would enhance the economic viability of the Postal Service. I do not think that this requires that the Postal Service adopt Ramsey prices, or even the Ramsey-based prices presented in my testimony, but I do believe that greater understanding of the volume impacts of price changes would help the Postal Service carry out its overall mission.

Incidentally, Ramsey pricing does not minimize the volume loss from price increases. It minimizes the loss of consumer surplus.

RESPONSE OF POSTAL SERVICE WITNESS BERNSTEIN  
TO INTERROGATORIES OF MOAA

MOAA/USPS-T-41-2. Is it a correct interpretation of your testimony at page 102 that the economic cost of across-the-board rate increases will be larger if before-rates prices do not take account of differences in demand elasticities?

RESPONSE:

Equal across-the-board rate increases preserve the rate relations of the before-rates schedule. To the extent that the before-rates prices do not take account of demand differences, then the after-rates prices will also fail to take account of demand differences and yield a similar economic cost.

RESPONSE OF POSTAL SERVICE WITNESS BERNSTEIN  
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MOAA/USPS-T41-3. Do you agree that if there have been significant changes in relative costs, an across-the-board approach to rate increases will inevitably produce uneconomic rates even if each rate produces revenues at least equal to volume variable costs?

RESPONSE:

In general, yes. An equal across-the-board rate increase approach does not take account of changes in relative costs which will generally lead to rates that are not economically efficient.

RESPONSE OF POSTAL SERVICE WITNESS BERNSTEIN  
TO INTERROGATORIES OF MOAA

MOAA/USPS-T41-4. Is it not inevitable that a failure of a multi-product enterprise to establish rates at or near Ramsey levels will inevitably cause a weakening in the economic viability of such an enterprise?

RESPONSE:

I hesitate to say that it is inevitable, but as I said in my response to MOAA/USPS-T41-1, I believe failure to take account of demand differences in pricing will weaken the economic viability of any firm, including the Postal Service.

DECLARATION

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

  
\_\_\_\_\_  
(Signed)

3/20/00  
(Date)

**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 "Eric P. Koetting", written over a horizontal line.

Eric P. Koetting

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