

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

Docket No. R2000-1

RESPONSE OF POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORY UPS/USPS-T34-16
(March 22, 2000)

The United States Postal Service hereby provides the response of Postal Service witness Robinson to the following interrogatory of the United Parcel Service: UPS/USPS-T34-16, filed on March 8, 2000. Interrogatory 17 has been redirected to witness Campbell.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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March 22, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T34-16. Refer to your testimony on pages 17-18, where you propose to “maintain the current relative rate structure” so that “the Postal Service will be able to fully evaluate the operational feasibility of alternate network configurations without being constrained by having fully incorporated the unique features of the current contract into rates.” Why is it appropriate to maintain the current relative rate structure when significant changes to costs are likely?

RESPONSE:

It is appropriate to maintain the current relative rate structure because significant unknown changes to the underlying costs for Priority Mail are likely. The premise of this question suggests that the Postal Service should speculate on unknown future network configurations, develop costs based on this speculation, and fully incorporate these speculative costs into rates. Instead, the rate design and the underlying assumptions take a conservative approach and (1) assume the current network configuration persists; (2) mitigate impact on relative rates of experimental network configurations (the PMPC network) that may not persist; and (3) meet the required Priority Mail cost coverage proposed by witness Mayes.

As discussed on pages 13-15 of my testimony, the PMPC network, run by contractor Emery Worldwide Airlines, is an experimental program. The Postal Service is currently evaluating the Priority Mail network and has not yet decided how it will be configured in the future. Many options are being discussed including: continuing the current network structure, expanding or reducing the PMPC network, or replacing the Emery network with an alternate network run by the Postal Service or by an outside contractor. In designing rates in this uncertain environment, as discussed on page 14 of my testimony, I attempted to reconcile two factors: the existence of the Emery contract

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and its impact on costs and the fact that Emery PMPC network is a test program. My rate design mitigates the impact of the Emery contract and the unique assignment of some transportation-related costs into Cost Segment 16 on relative rates while recognizing that the best available projection of overall Priority Mail costs is that presented in test year roll-forward model.

As the Postal Rate Commission noted in Docket No. R87-1, the existing rate relationships are presumptively reasonable.

[4025] A primary reference point in any case evaluating a Postal Service request to change rates is the existing rate schedule. The current schedule reflects what postal customers are paying today, and any proposed new rates must be viewed in light of what changes they involve from rates recommended by this Commission and implemented by the Governors.

[4026] The existing rate relationships are presumptively reasonable. They have evolved over the years as a result of extensive analysis, as described in Commission recommended decisions. Our review of existing rates recognizes this evolution and the reasoning which has led to past recommendations. [Docket No. R87-1, PRC Op. at 367]

DECLARATION

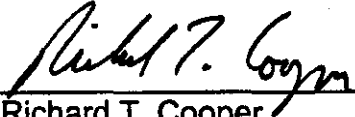
I, Maura Robinson, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


MAURA ROBINSON

Dated: 3.22.2000

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.


Richard T. Cooper

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