

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

RECEIVED  
MAR 22 4 25 PM '00  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF  
THE GREETING CARD ASSOCIATION  
(GCA/USPS-T41-64, REDIRECTED FROM WITNESS BERNSTEIN)

The United States Postal Service hereby provides its responses to the following interrogatories of the Greeting Card Association: GCA/USPS-T41-64, filed on March 8, 2000; and redirected from witness Bernstein.


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



Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2992 Fax -5402  
March 22, 2000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF THE GREETING CARD ASSOCIATION  
(REDIRECTED FROM WITNESS BERNSTEIN)**

GCA/USPS-T41-64. For each postal function listed below does the supply curve exhibit: constant returns to scale, decreasing returns to scale, or increasing returns to scale?

Mail processing  
Delivery  
Collection  
Transportation  
Window Service  
Other Retail Services

For each answer provide the empirical studies which support it, indicating in each case whether the study is of academic (or otherwise independent) origin.

**RESPONSE:**

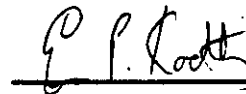
First, to the extent that the economic concept of a "supply curve" applies in perfectly competitive markets, it would not appear to apply to the Postal Service, which does not operate in a perfectly competitive market. Even if the question were restated in terms of cost curves, however, it is difficult to answer the question as stated because the Postal Service tends to conduct its cost analyses at levels of aggregation other than those specified in the question. Moreover, the question of exactly what constitutes economies of scale, as opposed to any other possible types of economies, is an issue that exceeds the scope of this response. Nevertheless, it can be stated that an examination of the base year costs reported in this case by witness Meehan (USPS-T-11), and of the supporting testimonies in this and previous cases which present the analyses upon which the base year costs are estimated, reveals that for at least some aspects of mail processing costs, delivery costs (city and rural), collection costs (which are included within the analysis of city carrier costs), purchased transportation, and

window services, volume variable costs are less than 100 percent of accrued costs.

Similar information (albeit with respect to FY 1998 rather than BY 1998) can be obtained from LR-I-1, Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 1998). The Postal Service does not have a category of costs that can readily be identified as "Other Retail Services."

**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.



\_\_\_\_\_  
Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2992 Fax -5402  
March 22, 2000