

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 THE ASSOCIATION OF ALTERNATE POSTAL
SYSTEMS
(AAPS/USPS-T32-13 THROUGH 15 AND 17 THROUGH 19)

The United States Postal Service hereby provides the responses of witness Mayes to the following interrogatories of The Association of Alternate Postal Systems: AAPS/USPS-T32-13 through 15 and 17 through 19 (filed on March 16, 2000).

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


AAPS/USPS-T32-16 has been redirected to the Postal Service for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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March 30, 2000

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-13. At the time that you responded to AAPS/USPS-T32-1, in which you stated that you have not read the SAI study that was the subject to [sic] controversy in Docket No. [sic] MC95-1, were you aware that (as revealed in the Postal Service's March 6th Objections) that [sic] there was a 1998 "revision" to that report?

Response:

Yes.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-14. Given the subject matter of your testimony, which addresses among other things the effect of the proposed rates on Postal Service competitors, please explain why you did not review that original SAI report, especially because in response to NAA interrogatory 19(b) you state that "details about competitors costs, prices and volumes...would be helpful in [sic] to guard against creating a harmful impact on competing firms."

Response:

It was my understanding that the anecdotal nature of that report would not make it useful for the purposes you have described. Furthermore, given that my proposed rate level for ECR in this case will *increase* the rates for ECR on average, rather than *decrease* them, I did not believe that it was quite so crucial to examine the SAI report.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-15. The Postal Service has revealed in its March 6th Objections that it possesses both a 1998 revision to the original SAI report and a January 22, 1999 "assessment," again prepared by SAI, that addresses a private sector competitor for the carriage of saturation advertising mail.

(a) Had you been aware of either of these documents at the time you prepared your testimony?

(b) Had you read either of these documents at the time you prepared your testimony?

(c) If you had not read both of them, please explain why you hadn't?

Response:

(a) No.

(b) No.

(c) It would have been rather difficult to have read them when I was not aware of them.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-17. In AAPS/USPS-T32-5, we asked whether there can ever be unfair price competition if the price of a postal service covers its incremental costs and, if so, under what circumstances. Your response merely refers to your responses to AAPS interrogatory 4 and NAA interrogatory 32 [sic]. We do not find the answers there, so please answer these questions directly.

Response:

The reference was to my response to NAA interrogatory 2, not to NAA interrogatory 32. To restate my response, coverage of incremental costs is widely viewed as a measure to help guard against the possibility of unfairly competing by offering products at lower prices by having other products subsidize them. The goal in ratemaking should be to protect competition, not necessarily to maintain the current market situation. While it would not be desirable for the rationale or motivation for ratemaking choices to be to intentionally and unfairly harm competitors or a particular competitor, there may be choices of either rate levels or rate design that may have a harmful impact on competitors or a competitor. If the Postal Service is able to offer a service at a reasonable price resulting from application of an appropriate markup over postal costs, and that resulting price happens to be below that charged by a competitor, I do not believe that the Postal Service should necessarily be required to raise its price so as to prevent harm to the competitor. Preventing consumers from benefiting when the Postal Service is an efficient provider of a service does not strike me as an appropriate approach to protecting "competition" or to setting "fair" prices.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

AAPS/USPS-T32-18. In response to AAPS/USPS-T32-6(a), you state that there "may be other means" of delivering nonprofit ECR mail, such as flyers left on doorknobs. Isn't it true that, in fact, there are such means and that alternate delivery companies such as the members of AAPS do deliver material for non-profit entities?

Response:

I do not find your assertion to be inconsistent with my response to AAPS/USPS-T32-6(a).

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAPS INTERROGATORIES

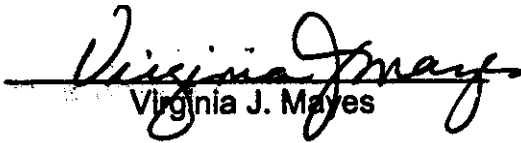
AAPS/USPS-T32-19. AAPS/USPS-32-7 asked the extent to which you considered unit contribution to institutional costs in connection with your goal of reducing the ECR cost coverage. Your response merely refers to your response to NAA interrogatory 13. Please confirm that your use of per piece contributions was not associated with cost coverages or contributions of individual classes to institutional costs, but only for purposes of assuring overall breakeven. If you cannot confirm, please explain how you used unit contributions for the purpose of measuring the relative contributions of the various classes and subclasses.

Response:

Obviously the per-piece contributions would be associated with both the cost coverages and the contributions of individual classes in determining financial breakeven, but I confirm that I did not use unit contributions "for the purpose of measuring the relative contributions of the various classes and subclasses."

DECLARATION

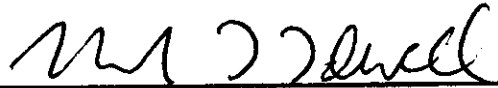
I, Virginia J. Mayes, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


Virginia J. Mayes

Dated: 3-30-00

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.



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