

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 MOELLER TO INTERROGATORIES OF ASSOCIATION OF
ALTERNATE POSTAL SYSTEMS
(AAPS/USPS-T35—11-14)**

The United States Postal Service hereby provides the responses of
witness Moeller to the following interrogatories of the Association of Alternate
Postal Systems: AAPS/USPS-T35—11-14, filed on March 16, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking


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March 30, 2000

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AAPS/USPS-T35-11. In response to AAPS/USPS-T35-1(d), you state that "small businesses" would likely have benefited from a decrease in the pound rate larger than that proposed.

- a.** Will "small businesses" also benefit from the reduction proposed?
- b.** Please confirm that one way for small businesses to benefit from the proposed reduction in the pound rate is that such reduction would reduce the postage on Saturation ECR shared mail pieces above five ounces and thus would permit such businesses to mail a piece weighing, for example, one ounce as part of a set and pay a portion of the pound rate, rather than mailing at the piece rates, which are being increased?
- c.** Has the Postal Service estimated the extent to which the proposed rates will induce mailers who now mail "solo" or combined advertisements at the piece rates to change their strategy and become part of a shared mail set offered by a mailer such as ADVO?
- d.** If the response to part (c) is in the affirmative, has the Postal Service calculated the cost and revenue impact of such changes? If so, please provide the estimate.

RESPONSE:

- a.** I have not assessed whether small businesses will benefit from the proposed reduction, but to the extent they do, I presume they would have benefited more from a larger reduction.
- b.** The portion of the postage shared by a one-ounce piece in a 5-ounce shared mail piece is much lower, under current rates, than the rate the piece would pay if mailed individually. Under the proposed rates, incremental ounces would become less expensive, and that might enable some small businesses to afford to be part of a shared mailing, but it is doubtful the proposed rate for individual pieces will result in the sort of migration posited in this question, since small businesses are unlikely able to afford such advertising even under existing rates.
- c.** It is not clear what is meant by "combined" advertisements. In any event, there is no estimate of pieces that will move from "solo" mailing to shared mailing. See response to AAPS/USPS-T35-7.
- d.** Not applicable.

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AAPS/USPS-T35-12. At the time that you responded to AAPS/USPS-T35-8, in which you stated that you have not read any updates to the SAI study that was the subject to controversy in Docket No. MC95-1, were you aware that (as revealed in the Postal Service's March 6th Objections) that there was a 1998 "revision" to that report?

RESPONSE:

No.

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AAPS/USPS-T35-13. Given the subject matter of your testimony, which addresses among other things the impact of the reduced rate proposed for some ECR pieces on alternate delivery companies, please explain why you did not review either the original SAI report or the 1998 revision to that report.

RESPONSE:

I didn't know of the 1998 revision, and the original report would presumably be considered outdated, even if I were to view the subject matter as consequential to my testimony. The proposed pound rate is based primarily on efforts to better reflect underlying costs. I was certainly aware of the sensitivity of alternate delivery companies through my involvement in Docket Nos. MC95-1 and R97-1, even though the companies did not offer testimony regarding their pricing practices. The statements on page 23 of my testimony are intended to express sensitivity to minimizing the effect that a more cost-based approach to the pound rate would have on these companies. I was not searching for any type of quantification of the effect since intervenors themselves in previous cases have not offered such quantification in their opposition to the proposed reductions in the pound rates. To my knowledge, the SAI study is not undertaken for purposes of ratemaking analysis.

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AAPS/USPS-T35-14. The Postal Service has revealed in its March 6th Objections that it possesses a January 22, 1999 "assessment," again prepared by SAI, that addresses a private sector competitor for the carriage of saturation advertising mail.

- a. Were you aware of that assessment when you prepared your testimony?**
- b. Had you read it before you prepared your testimony?**
- c. Have you read it as of the date of [sic] your response to this interrogatory?**

RESPONSE:

- a. No.**
- b. No.**
- c. No.**

DECLARATION

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


JOSEPH D. MOELLER

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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