

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY


POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

FOLLOW-UP INTERROGATORIES OF UNITED
PARCEL SERVICE TO UNITED STATES POSTAL
SERVICE WITNESS BERNSTEIN
(UPS/USPS-T41-7 through 8)
(April 5, 2000)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves these follow-up interrogatories directed to United States Postal Service witness Bernstein: UPS/USPS-T41-7 through 8.

Respectfully submitted,



John E. McKeever
William J. Pinamont
Phillip E. Wilson, Jr.
Attorneys for United Parcel Service

Piper Marbury Rudnick & Wolfe L.L.P.
3400 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103-2762
(215) 656-3310
(215) 656-3301 (FAX)

and

1200 Nineteenth Street, NW
Washington, DC 20036-2430
(202) 861-3900

Of Counsel.

FOLLOW-UP INTERROGATORIES OF UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS BERNSTEIN

UPS/USPS-T41-7. In your response to UPS/USPS-T41-2, you confirm that "If the nonpostal firm's marginal costs vary with the level of output, then changes in postal prices can lead to a change in the nonpostal firm's price." Please verify that your confirmation implies that if, in fact, marginal costs do vary with output, then there are relevant elements of the Ramsey formula (i.e., $E_{12}[dP_2/dP_1 \cdot P_1/P_2]$ in equation (8a) on page 42 of USPS-T-41) that you do not account for in your estimate of Ramsey prices.

UPS/USPS-T41-8. Refer to your responses to UPS/USPS-T41-3(a) and (b). You characterize the package delivery market as "a competitive market with free entry." You also state that "it is well known that many private carriers offer discounted prices to select customers. Firms might charge above marginal cost prices for some customers, while charging prices equal to marginal costs to their most price sensitive customers" And on page 46 of USPS-T-41, you state that "Private firms operating in competitive markets with free entry can be expected to be pricing at marginal cost."

(a) If private suppliers of package delivery services do not set marginal cost prices for all of their products, then please explain why it is appropriate to focus on "the Ramsey model without cross-elasticities of nonpostal firms," as you do when estimating Ramsey prices in your testimony at page 46.

(b) If your answer to (a) involves an assertion similar to the assertion on page 46 of USPS-T-41 that "the Ramsey model without cross-elasticities of nonpostal firms is likely to yield results quite similar to those that would result from a model with nonpostal firms," provide the details of all analyses that you have performed to justify this assertion.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Commission's Rules of Practice.



William J. Pinamont
Attorney for United Parcel Service

Dated: April 5, 2000
Philadelphia, Pa.

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