

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 GREETING CARD ASSOCIATION
(GCA/USPS-T32-13 THROUGH 16)

The United States Postal Service hereby provides the responses of witness Mayes to the following interrogatories of Greeting Card Association: GCA/USPS-T32-13 through 16 (filed on March 23, 2000).

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



Michael T. Tidwell

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April 6, 2000

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO GCA INTERROGATORIES

GCA/USPS-T32-13. Please refer to your response to GCA/USPS-T32-2(a)(ii). Does your statement that you cannot answer this part without knowing the content of the letters referred to or the "particular value of such a transmission to the individual recipient" mean that you did not give consideration to which components of §3622(b)(8) apply to non-business or personal-correspondence letters? Please explain any negative answer.

Response:

No. I am not proposing any change to previous Commission evaluation of the ECSI value for First-Class Letters. Please refer to my response to GCA/USPS-T32-14 and GCA/USPS-T32-15a.

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GCA/USPS-T32-14. Please refer to your response to GCA/USPS-T32-3(b). Does your reference there to your answer to subpart (a) mean that any Postal Service consideration of *cultural* value of First-Class letters to the recipient is fully described in chapter IV of the Household Diary Study? If not, please describe any other consideration given to that factor and state the conclusions reached.

Response:

No. In my responses to GCA/USPS-T32-1 and AAP/USPS-T32-4 and other interrogatories, I have provided quotes from past Commission Recommended Decisions in which they discussed their understanding of the ECSI value accorded to First-Class Mail and their interpretation of the appropriate application of criterion 8 to First-Class Letters. I see no reason to go beyond what the Commission has said on this subject as the Postal Service's proposal for First-Class in this case does not include or reflect any adjustment to the ECSI value that the Commission has previously recognized. The reference to the Household Diary Study was only intended to provide illustrative support for the existence of some ECSI value, not to support upward or downward adjustments.

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GCA/USPS-T32-15. Please refer to your response to GCA/USPS-T32-3(c).

- a. In developing your proposed cost coverage for First-Class letters, did you regard business correspondence by First-Class mail as identical or substantially identical with bulk (workshared) First-Class letters, and personal (non-transactional) correspondence by First-Class mail as identical or substantially identical with single-piece First-Class letters? If not, please explain what distinction(s) you recognized and how, if at all, they influenced your conclusions.
- b. Please identify the "rate of inflation" to which you refer in the last sentence of your response.
- c. In applying the ECSI criterion in the process of developing price level recommendations for the classes of mail in general, did you use the relationship between your proposed increase and the above-cited rate of inflation as a uniformity-applicable standard? If not, please explain why.

Response:

- a. I did view bulk First-Class letters as being substantially identical with business correspondence, including bills, invoices, and advertising. It is my understanding (from the Household Diary Study) that personal, non-transactional correspondence is a relatively small part of First-Class Letters, and even a relatively small part of First-Class single-piece letters. Therefore, I did not view single-piece First-Class letters as being substantially identical with what is a small portion of its mailstream. However, I was very conscious that single-piece First-Class Letters included personal correspondence and other missives sent from households. I was also aware of the importance of providing an affordably-priced communications medium for the general public.
- b. Please refer to my response to NAA/USPS-T32-6(b) and NAA/USPS-T32-

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Response to GCA/USPS-T32-15, cont'd

- c. No. I considered it appropriate to consider ECSI value in the context of the cost coverages, not the rate of inflation.

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GCA/USPS-T32-16. Please refer to your response to GCA/USPS-T32-9.


- a. In referring to "fairness and equity," "impact of rate increases on mailers," and "availability of alternatives," are you referring specifically to the requirements of 39 U.S.C. § 3622(b)(1), (4), and (5), respectively? If your answer is not an unqualified "yes," please explain what different or additional meaning you attach to the phrase(s) concerned.
- b. Do you believe that prices determined in material part by Ramsey pricing principles would be consistent with recognition of the unavailability of alternatives for mail matter subject to the Private Express Statutes? Please explain the reasons for an affirmative answer to this part.

Response:

- a. Yes. Please refer to my testimony, especially at page 3 where I present the "shorthand" for the nine pricing criteria.
- b. I think it would be possible to take "prices determined in material part by Ramsey pricing principles" such as those presented in the testimony of witness Bernstein (USPS-T-41) and adjust them such that they more fully reflect the consideration of all of the pricing criteria. It is my understanding that the Ramsey pricing model relies heavily on the estimated price elasticities and that, to some extent, those elasticities could be affected by the relative unavailability of alternatives for some categories of mail. Recognition of this, and subsequent adjustment of the resultant Ramsey prices, could probably be performed so as to result in prices in compliance with all of the pricing criteria.

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.



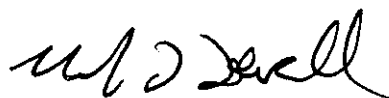
Virginia J. Mayes

Dated:

April 6, 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.

A handwritten signature in black ink, appearing to read "M. Tidwell", written in a cursive style.

Michael T. Tidwell

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