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 THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS–133)

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS–133, filed on April 21, 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

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–2992 Fax –5402
May 5, 2000

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE OCA

OCA/USPS-133. Please refer to Library Reference USPS-LR-I-179, provided in response to OCA/USPS-4.

a. For PFY 1999, PFY 2000, PFY 2001, PFY 2002, PFY 2003, and PFY 2004, please confirm that the percentage change in volume for single-piece First-Class letters and flats from the prior year is -0.55%, -0.76%, -2.06%, -1.36%, -3.45%, and -5.13%, respectively. If you do not confirm, please explain and provide the correct percentage change in volume.

b. For PFY 1999, PFY 2000, PFY 2001, PFY 2002, PFY 2003, and PFY 2004, please confirm that the percentage change in volume for workshared First-Class letters and flats from the prior year is 6.52%, 5.59%, 4.35%, 4.57%, 2.67%, and -1.38%, respectively. If you do not confirm, please explain and provide the correct percentage change in volume.

c. Please confirm that the change (and resulting percentage change) in volume in each year for single-piece First-Class letters and flats in part a. of this interrogatory is a function of changes in rates and an assumed secular change in volume of single-piece First-Class letters and flats. If you do not confirm, please explain.
   i. Please provide the price elasticity of demand associated with the changes in rates referred to in part c. of this interrogatory.
   ii. Please provide the percentage change associated with the an assumed secular change in volume referred to in part c. of this interrogatory.

d. Please confirm that the change (and resulting percentage change) in volume in each year for workshared First-Class letters and flats in part a. of this interrogatory is a function of changes in rates and an assumed secular change in volume of workshared First-Class letters and flats. If you do not confirm, please explain.
   i. Please provide the price elasticity of demand associated with the changes in rates referred to in part c. of this interrogatory.
   ii. Please provide the percentage change associated with the an assumed secular change in volume referred to in part c. of this interrogatory.

RESPONSE:

a. Confirmed for the forecast supplied to GAO and reproduced in LR-I-179. The forecast underlying LR-I-179 is NOT the Test Year forecast provided by Dr. Tolley in USPS-T-6 and Dr. Musgrave in USPS-T-8, and does not use the elasticities presented by Tom Thress in USPS-T-7.

b. Confirmed for the forecast supplied to GAO and reproduced in LR-I-179. The forecast underlying LR-I-179 is NOT the Test Year forecast provided by Dr. Tolley in USPS-T-6 and Dr. Musgrave in USPS-T-8, and does not use the elasticities presented by Tom Thress in USPS-T-7.

c. Confirmed that changes in volume are a function of those factors, among others. The single-piece own price elasticity used in the LR-I-179 forecast, from a model which also included a worksharing discount variable , was -0.281. As documented in USPS-T-7, II-B, pages 10-32, there are a large number of variables affecting volume. Price elasticity is one of many. The percentages directly attributable to the assumption about new electronic diversion over the base is found in LR-I-179, sheet Vol_div_pct, cell references b37:I59.

d. Confirmed that changes in volume are a function of those factors, among others. The workshared own price elasticity used in the LR-I-179 forecast, from a model which also included a worksharing discount variable , was -0.297. As documented in USPS-T-7, II-B, pages 10-32, there are a large number of variables affecting volume. Price elasticity is one of many. The percentages directly attributable to the assumption about new electronic diversion over the base is found in LR-I-179, sheet Vol_div_pct, cell references b37:I59.

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
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