

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

**UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO ASSOCIATION OF ALTERNATE POSTAL SYSTEMS WITNESS WHITE
(USPS/AAPS-T1—1-12)**

Pursuant to rules 25 and 26 of the Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to Alliance of Alternate Postal Systems witness White: USPS/AAPS-T1—1-12.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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USPS/AAPS-T1—1. On page 2 lines 9-11 of your testimony, you state, “we can usually provide effective competition for the Postal Service for heavier weight shared mail packages, in particular.”

- a) Define “effective competition.”
- b) Is your statement about “effective competition” intended to convey that alternate delivery rates are below the rates that would be charged by the Postal Service?
- c) Provide a chart comparing, for each ounce increment starting at 4 ounces through 16 ounces, USPS proposed Standard Mail (A) postage rates and figures showing the average rate (based on the most accurate and comprehensive information available to you) for carriage of flat-sized articles by alternate delivery. Identify the source of the alternate delivery rates and explain how they were derived.
- d) Is it fair to say that, on average for the alternate delivery industry, rates for pound rated flats (i.e., in excess of 3.3 ounces up to 16 ounces) carried by alternate delivery are below those for equivalent articles sent via Standard Mail (A) ECR flat-rate postage?

USPS/AAPS—T1-2. On page 9 lines 19 lines 19-22 of your testimony, you state: “the shopping guides and the free publications that make up the backbone of the business for most of our members make their delivery choices with reliance almost exclusively on the pound rate, not the piece rate.”

- a) What proportion of alternate delivery industry revenue is comprised of carriage of “shopping guides and free publications”?
- b) To what pound and piece rates are you referring in this passage? Identify by rate category and rate.
- c) Does your statement imply that shopping guides and free publications do not consider the prices charged by alternate delivery in making delivery choices? Please explain your response.

USPS/AAPS—T1-3. On page 9 lines 17-19 of your testimony, you state “[o]ver time, where there is no competition, USPS proposed rate increases have been larger than where there is competition.”

- a) At the time you drew this conclusion, what mail categories did you understand to be provided where “there is no competition”?
- b) At the time you drew this conclusion, what mail categories did you understand to be provided where “there is competition”?
- c) Over what time period is your statement intended to refer?
- d) For each category in subparts (a) and (b), provide the USPS proposed rate increases to which your statement is intended to refer for the time period identified in (c).

USPS/AAPS-T1—4. On page 10 line 1 of your testimony, you state that the “typical publication weighs between 3 and 6 ounces.” On lines 3-4, you state “[w]ith one or more regular inserts, the combined weight of the publication and its inserts is in the 4 to 10 ounce range, and often higher.”

- a) Is the “typical publication” in this passage intended to refer to publications carried by alternate delivery or by the Postal Service or both?
- b) Is it fair to conclude from your statements that the typical flat-sized article carried by alternate delivery is in the 4 to 10 ounce range?
- c) What figure, in your opinion, best represents the average weight (with inserts) of a flat-sized article carried by alternate delivery? Use the best and most accurate and comprehensive source(s) of information available to you, and identify the sources and show the derivation of the final result.
- d) Provide a chart showing, for each ounce increment from 3 ounces to 16 ounces, the percentage of flat-sized volume in each ounce increment carried by alternate delivery as a proportion of the total flat-sized volume carried by alternate delivery in this weight range, i.e., 3 oz. to 16 oz. Use the best and most comprehensive information available to you, and identify the source(s) of your information.

USPS/AAPS-T1—5. On page 10 lines 7 to 8 of your testimony, you state, “[t]he cost of weight determines, to a large extent, the cost of handling preprinted inserts.”

- a) To what does the term of “cost of weight” refer?
- b) To what does the term “cost of handling preprinted inserts” refer?
- c) Is your statement intended to convey that the cost to the alternate (i.e., non-USPS) delivery agent to handle incremental weight determines, to a large extent, the price of inserts? If not, please explain your response.
- d) Which is the more commonly used determinant of the price of carriage of a flat-sized piece by alternate delivery – number of pages, or weight? Please explain.
- e) Explain how prices for inserts are quoted to customers of alternate delivery.
- f) Are prices quoted in terms of pages of an insert?
- g) Do alternate delivery providers typically assess a pound rate on inserts?
- h) Do alternate delivery providers typically use a combined piece and pound rate structure for inserts?

USPS/AAPS-T1—6. On page 10 lines 14-15 of your testimony, you state that “the fact remains that we must compete with the Postal Service’s lowest rate.”

- a. Is your statement intended to convey that the customers that perceive there to be a choice between ECR saturation rates and alternate delivery are those that make use of DDU ECR saturation rates? Please explain.
- b. Do you believe that postal customers that enter mail upstream from destination delivery units also perceive there to be a choice between ECR postage and alternate delivery? Please explain.
- c. Identify, based on parameters of subclass, rate category, weight, and content, the customer base you believe has a choice between delivery by USPS and alternate delivery.

USPS/AAPS-T1—7. On page 12 line 14 of your testimony, you state that “the market is no less competitive now than it was in 1997”

- a) Identify the parameters of the market to which you are referring in terms of weight, content, size, point of entry and market coverage (e.g., saturation).
- b) Identify all of the facts and the sources of these facts that you considered before or at the time you drew this conclusion.

USPS/AAPS-T1—8. On page 18 line 1 of your testimony, is your reference to R94-1 intended to be to Docket No. R84-1? If not, please explain.

USPS/AAPS-T1—9. On page 18 lines 21-22 of your testimony, you state “[t]he fact is that the pound rate at the levels relevant to us hasn’t risen in years and, under this proposal, would go down.”

- a) Identify the parameters of the “levels” to which your statement refers in terms of weight, content, size, point of entry and market coverage (e.g., saturation).
- b) Identify, by category, all of the pound rates that are “relevant” to the alternate delivery industry.
- c) Identify, by category, all of the pound rates that are not “relevant” to the alternate delivery industry.

USPS/AAPS-T1—10. Please refer to page 3 lines 13 to 21 of your testimony. You state:

[w]ith magazines embodying the bulk of deliveries for new alternate delivery companies springing to life, the Postal Service proposal under Mr. Runyon in the MC95-1 [case] punched relentlessly where it hurt the most when it proposed very large reductions in postage for the mass circulation magazines that were most susceptible to diversion to alternate delivery. Although the Rate Commission rejected the Postal Service’s reclassification proposal for periodicals, it gave the Postal Service half a loaf by reducing the

postage rates for the most densely delivered magazines. That half loaf was enough to threaten many of our businesses.

- a) Is it your testimony that the Commission's recommended rates for Periodicals in Docket No. MC95-1 "threatened" alternate delivery?
- b) In what way was alternate delivery "threatened"?
- c) Would AAPS members prefer that Periodicals rates be set higher than they are currently for "the most densely delivered magazines"? If not confirmed, please explain.
- d) Does AAPS believe that the Commission should consider the effect on alternate delivery when evaluating criterion (b)(4) with respect to the proposed rates for Periodicals Mail in this docket? Why or why not? Please explain your response.
- e) Does AAPS support a higher or lower cost coverage for Periodicals Mail in this docket than proposed by the Postal Service? Please explain your response.
- f) Does AAPS support higher or lower rates for carrier route Periodicals Mail in this docket than proposed by the Postal Service? Please explain your response.
- g) What consequence would a higher markup on Periodicals than proposed by the USPS have on alternate delivery?
- h) What consequence would higher carrier route Periodicals rates than proposed by the USPS have on alternate delivery?

USPS/AAPS-T1—11. On page 22 lines 17-19 of your testimony, you state, "[t]o its credit, the Commission recognized this important concept in evaluating the Postal Service's proposals in recent rate cases, and, as a result, has tempered the First-Class increases and rejected USPS attempts to impose either small or negative rate increases on Third Class/Standard ECR saturation mailers."

- a) For First-Class, identify the rates, rate categories, rate increase percentages (USPS proposed vs. PRC recommended), and rate cases to which your statement refers.
- b) For Third Class/Standard ECR saturation, identify the rates, rate categories, rate increase percentages (USPS proposed vs. PRC recommended), and rate cases to which your statement refers.

USPS/AAPS-T1—12. You refer to the "disproportionately low burden now being borne by Standard ECR" on page 22 line 21 of your testimony.

- a) To what subclass figure(s) is your statement regarding "low burden" intended to refer?
- b) Does your statement apply to the percentage cost coverage of ECR?
- c) Does your statement apply to the unit contribution of Standard Mail ECR?
- d) Confirm that your statement that the cost coverage is "disproportionately low" suggests that other subclasses are shouldering a "burden" that should be

borne by Standard Mail ECR. If confirmed, identify all subclasses that are shouldering such a burden.

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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