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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

INTERROGATORIES FROM UNITED PARCEL SERVICE TO
ASSOCIATION OF PRIORITY MAIL USERS WITNESS HALDI, APMU-T-1
(UPS/APMU-T1-1 through 22)
(June 2, 2000)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby
serves the following interrogatories directed to Association of Priority Mail Users
Witness Haldi: UPS/APMU-T1-1 through 22.

Respectfully submitted,



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Of Counsel.

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UPS/APMU-T1-1. In the case of each number shown in Table 1 of your testimony, provide complete citations for all of the data sources used to derive the number, including all calculations made to arrive at those numbers and all workpapers.

UPS/APMU-T1-2. Provide all references, reports, studies, and other documents on which you rely in support of the statement on page 11 of your testimony that "In the eyes of the consumer, performance is more relevant to the perception of value than any other factor save the rate paid."

UPS/APMU-T1-3. Refer to page 11 of your testimony, where you state, "All indicators of delivery performance point to the deterioration of service."

- (a) State precisely every indicator to which you are referring.
- (b) Define precisely the time period to which you refer.

UPS/APMU-T1-4. For every indicator identified in your response to interrogatory UPS/APMU-T1-3, state whether it shows that Priority Mail delivery performance has declined since the PMPC network has become fully operational.

UPS/APMU-T1-5. Refer to page 14 of your testimony, where you state, "The failure to achieve significant performance improvement contributes to the erosion of the customer perception of the value of the Priority Mail service."

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(a) Provide all references, reports, studies, and other documents on which you rely to support this assertion.

(b) Provide all references, reports, studies, and other documents on which you rely to support the assertion that there has been an “erosion of the customer perception of the value of the Priority Mail service.”

UPS/APMU-T1-6. Refer to pages 19-20 of your testimony, where you state that “Should [the Commission] fail to recommend rates which the mailing public considers fair and equitable, a substantial portion of the remaining business will also migrate elsewhere.” Quantify the “substantial” portion of Priority Mail business that will migrate elsewhere to which you there refer. In particular, indicate whether the migration you speak of is in addition to the migration predicted by Postal Service witness Musgrave’s *estimate of the own-price elasticity of demand for Priority Mail* (see USPS-T-8, at 21).

UPS/APMU-T1-7. Refer to page 29 of your testimony, where you state that “Express Mail . . . could not under any foreseeable circumstances generate a major contribution to institutional costs.” Provide all references, reports, studies, and other documents on which you rely in support of this claim.

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UPS/APMU-T1-8. Provide all evidence available to you concerning whether the rates that *Federal Express* charges the U.S. Government are similar to the rates that *Federal Express* charges other mailers.

UPS/APMU-T1-9. Refer to the rates listed in Table 6 of your testimony. For what time period are these rates guaranteed to remain in effect?

UPS/APMU-T1-10. Define precisely the term "somewhat low value of service" as you use it on page 39 of your testimony.

UPS/APMU-T1-11. Define precisely the term "vastly more competitive marketplace" as you use it on page 40 of your testimony.

UPS/APMU-T1-12. Refer to page 40 of your testimony, where you state that (a) "at minimum, the drop in volume growth from 10 percent in 1990 to 2 percent in 1991 will likely recur with any rate increase of the magnitude proposed by the Postal Service" and (b) "recovery of lost volume and market share will be much more difficult, if not impossible, to achieve." Provide all references, reports, studies, and other documents on which you rely in support of these claims.

UPS/APMU-T1-13. Provide the original source of the market share statistics in Table 8 of your testimony and explain how they were calculated. In particular, indicate

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whether identical definitions of "the market," "pieces," and "market competitors" were employed in every year cited in Table 8.

UPS/APMU-T1-14. Explain the discrepancy between the 62.4% market share for Priority Mail in 1998 reported in Table 8 and the corresponding 61.8% market share reported in footnote 41 of your testimony.

UPS/APMU-T1-15. Provide all references, reports, studies, and other documents on which you rely to support the view expressed on page 42 of your testimony that the validity of witness Musgrave's forecasting model would be called into question if Priority Mail rates were to rise above the rates charged by competitors.

UPS/APMU-T1-16. Define "poor performance" as you employ the term on page 43, line 6, of your testimony, and explain how the absence of a track and trace service "hides" poor performance.

UPS/APMU-T1-17. Define precisely the term "outperformed" as you employ it on page 44, line 12, of your testimony.

UPS/APMU-T1-18. Using the data presented in Figure 1 of your testimony, confirm that Priority Mail has achieved its service standards more consistently in 1999 than in 1998, when measured on a quarter-to-quarter basis. If you do not confirm, explain why you do not do so.

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UPS/APMU-T1-19. Define the term "on time" as you employ it on page 44 of your testimony, and explain why it is necessarily the case that the "bottom line" for mailers is whether the mail is delivered "on time," as you define it.

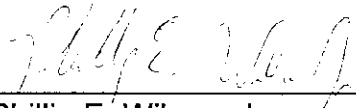
UPS/APMU-T1-20. Confirm that the discussion in lines 1- 4 on page 49 of your testimony implies that "customer expectations" about service performance, and not service performance alone, affect "value of service." If you do not confirm, explain why you do not do so.

UPS/APMU-T1-21. Refer to page 53 of your testimony, where you state that Priority Mail's delivery performance "is generally perceived as less timely and reliable than its competitors." Provide all references, reports, studies, and other documents on which you rely in support of this claim.

UPS/APMU-T1-22. Confirm that, based on the data presented in Table A-2 of your testimony, in FY1998 Priority Mail's contribution to institutional costs was at its lowest level since FY1994.

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.



Phillip E. Wilson, Jr.
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Dated: June 2, 2000
Philadelphia, Pa.

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