

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 UNITED PARCEL SERVICE WITNESS SAPPINGTON
(USPS/UPS-T6-6-17)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to United Parcel Service witness Sappington:
USPS/UPS-T6-6-17.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:


Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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.



Michael T. Tidwell

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June 9, 2000

USPS/UPS-T6-6

Please refer to your testimony at page 5, lines 4-7 where you state: "Although low rates and significant rate reductions can benefit some mailers, they can unfairly disadvantage other mailers who must pay higher rates as a result. Low rates and significant rate reductions can also unfairly disadvantage competing suppliers of delivery services. Rates that disadvantage competitors unfairly should be avoided."

- a. Please define the term "significant" as used in this portion of your testimony, or provide a threshold beyond which a change would be viewed by you to be "significant."
- b. Please define the term "unfairly" as used in this portion of your testimony.
- c. Please clarify the intended meaning of the phrase "disadvantage competitors unfairly."
- d. Please confirm that 39 U.S.C. § 3622(b)(4) refers only to rate "increases" and not to rate reductions.
- e. Is the converse of the statement "low rates and significant rate reductions ... can unfairly disadvantage other mailers who must pay higher rates as a result" true? When mailers have high rates and significant rate increases, are other mailers "unfairly" benefitting?

USPS/UPS-T6-7.

Please refer to your testimony at page 5, lines 13-16 where you state: "When mailers can obtain comparable services at reasonable cost from suppliers other than the Postal Service, high postal rates impose fewer hardships on those mailers. Consequently, higher rates for postal services are appropriate in such situations, ceteris paribus."

- a. Please reconcile these statements with the direction by 39 U.S.C. § 3622(b)(4) to consider the impact of rate increases on mailers.
- b. Please define "comparable services" as used in this portion of your testimony.
- c. Please define "hardships" as used in this portion of your testimony.

USPS/UPS-T6-8.

Please confirm that the pricing criteria listed in 39 U.S.C. § 3622(b) are to be used by the Commission in recommending rates and fees that "provide sufficient revenues so that the total estimated income and appropriations to the Postal Service will equal as nearly as practicable total estimated costs of the Postal Service." 39 U.S.C. § 3621. If you cannot confirm, please explain.

USPS/UPS-T6-9.

Please refer to your testimony at page 8 where you state that "except for the fact that the definition of economic value renders it susceptible to measurement, the rationale for distinguishing between intrinsic value and economic value is not apparent."

- a. Is it your opinion that 39 U.S.C. § 3622(b)(2) refers only to the value of the mail service *relative to the services provided to other mail categories*, or does the customer's perception of the value of a mail service also depend on the nature of services provided by non-postal delivery firms? Please explain.
- b. If the customer's perception of the value of a mail service depends, in part or in whole, on the service provided *relative to the services provided by other firms*, please explain how this should be measured or identified.

USPS-UPS-T6-10.

Please refer to page 8, line 14 of your testimony and provide a definition of the term "undue reliance."

USPS-UPS-T6-11.

Please refer to your testimony at page 8, lines 16-17 where you state that the use of the own-price elasticity "as a measure of value can contradict the pricing criteria specified in section 3622(b) of the Act."

- a. Please explain this statement.
- b. In your opinion, do any of the criteria specified in the Act contradict other criteria specified in the Act? If so, please provide examples.

USPS-UPS-T6-12.

Please refer to your testimony at page 9 where you claim that the own-price elasticity of demand is a "very imperfect measure of the value that senders and receivers derive from a mail service." Given that conclusion, please provide an alternative means by which the Commission may measure value of service in order to comply with 39 U.S.C. § 3622(b)(2).

USPS-UPS-T6-13.

Please refer to your testimony at page 10 where you state that "since high own-price elasticities can reflect the presence of effective competition, a policy that implements lower rates and smaller rate increases in response to higher own-price elasticities for Postal Service products can serve primarily to protect the Postal Service from effective competition."

- a. Please define the term "effective competition" as used in this portion of your testimony.
- b. Please confirm that pricing criteria in 39 U.S.C. § 3622(b)(4) and (b)(5), when balanced with criterion (b)(2), are designed to shield against the situation you have described. If you cannot confirm, please explain fully.

USPS-UPS-T6-14.

Please refer to your testimony at page 11, lines 3-4. Define what you mean by "an inefficient production technology with unnecessarily large institutional costs and relatively low incremental costs for competitive services."

USPS-UPS-T6-15.

Please refer to your testimony at page 11 where you refer to "(artificially low) incremental costs."

- a. Is it your testimony that the Postal Service should engage in production practices that would drive up the costs of its competitive products? Please explain fully.
- b. Please define "the technology that minimized its overall operating costs" and provide any and all evidence that the Postal Service does not now utilize such technology.

USPS-UPS-T6-16.

Please define and/or quantify “unnecessarily large institutional costs” as referred to at line 10 of page 11 of your testimony.

USPS-UPS-T6-17.

Please confirm that “unnecessarily large institutional costs can also increase rates unduly for captive users of monopoly mail services” only if the pricing criteria are applied “inappropriately” such that this burden is shifted to these captive customers. If you cannot confirm, please explain fully.