

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 NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
(USPS/NAA-T1—1-40)


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 Newspaper Association of America witness Tye: USPS/NAA-T1—
1-40.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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USPS/NAA-T1-1. Provide citations and copies of any published material you have authored on the market for advertising in newspapers, Standard Mail (A), or third-class mail.

USPS/NAA-T1-2. On page 6 of your testimony, you state, "the Postal Service has resubmitted essentially the same 'distribution key analysis' that it relied upon in Docket No. R97-1 with only a few changes." Identify all of the "changes" in the "distribution key analysis" of which you are aware.

USPS/NAA-T1-3. On page 7 of your testimony, you state:

There is no reasonable way to conclude that these four factors can produce a pound rate with *three* significant digits down to a precision measured in mils (a tenth of a cent).

- a) How many significant digits should be used to express the pound rate? Upon what basis do you make this determination?
- b) If you were to recommend an increase in the pound rate based on the information presented in your testimony, would your proposed rate not be measured in mils? If not, how would it be expressed?
- c) Is it your belief that, if changes are considered in the pound rate, they should necessarily be expressed in whole cent increments, or in increments that represent a multiple of some positive integer other than 1? Please explain your response.
- d) Do you believe it is incorrect, as a matter of ratemaking policy, to set the pound rate to the level of precision proposed by the USPS in this docket so that the Postal Service can meet a revenue target with a greater degree of proximity to that target?
- e) Do you believe that the pound rate is set independently, so that the pound rate has no impact on piece rates for pound rated pieces?

USPS/NAA-T1-4. On page 8 of your testimony, you state "[w]itness Daniel admits that her current distribution is essentially the same as that rejected in Docket No. R97-1."

- a) Confirm that your statement is based on the following passage at Tr. 4/1403-04:

Q Now, and with a couple of differences which you note, I think, on page 8, and also in response to AAPS-3, you basically -- Library Reference 92 is basically the same work that Mr. McGrane did, but you changed a couple of the distribution keys, at least for elemental load and also the no-weight tallies?

A We also changed the mail processing analysis.
If not confirmed, please explain.

- b) If the Commission were to rely on what you call the "distribution key analysis" to lower the pound rate, in your view, would it be inconsequential whether the Commission chose to accept the distribution key analysis as witness Daniel presented it in this case, or using the methodology that witness McGrane presented in Docket No. R97-1? Please explain.

USPS/NAA-T1-5. On page 9 of your testimony, you state, in reference to witness Daniel's testimony, that "[h]er improvement, while a step in the right direction, is insufficient to cause unreliable data to become reliable."

- a) Confirm that the "improvement" to which your statement refers is witness Daniel's distribution of elemental load costs. If not confirmed, please explain.
- b) Are there are other "improvements" to the "distribution key analysis" of which you are aware? Please explain.

USPS/NAA-T1-6. You state on page 10 of your testimony that "the number of tallies from which the [distribution key analysis] is derived are far too thin on which to base such a significant a rate design."

- a) In drawing this conclusion, what data did you consider in concluding that the data are "too thin"?
- b) State how you believe thinness of data should be evaluated: the number of tallies, or some statistical tool that considers the number of tallies in relation to other tallies.
- c) Of what statistical tools are you aware that serve to evaluate thinness of data?

USPS/NAA-T1-7. Please see your testimony at pages 36-40 where you discuss the revenue projections of the Postal Service.

- a. Is it your contention that Standard Mail (A) pieces will get heavier if the pound rate is reduced as proposed by the Postal Service? Please explain.
- b. If so, would you expect that the Standard Mail (A) revenue per piece would increase beyond what is projected by the Postal Service?
- c. If the answer to subpart (b) is negative, explain how the revenue per piece will not increase beyond what is projected by the Postal Service if weight per piece increases.

USPS/NAA-T1-8. Please see your testimony at page 11, lines 7-13, where you postulate that pieces that might otherwise qualify for parcel post are "lightened" in order to qualify for Standard Mail (A), which results in "more tallies" in the 15-16 ounce range.

- a. Are the additional tallies due to additional volume?

- b. If so, would the additional volume be included in the volume data by ounce increment? If not, please provide the basis for your conclusion.
- c. Are the additional tallies incurred because of the shape of the pieces and the higher cost for pieces of that shape? Please provide the basis for your conclusion.
- d. Are these pieces more likely (than pieces of other weights) to be parcel-shaped? Why or why not? Please provide the basis for your conclusion.
- e. Is it your understanding that merchandise sent via Parcel Post may be sent in the ECR? If so, what shape can these pieces take?

USPS/NAA-T1-9. You state on page 14 that "it would be more precise to note that the problem arises from the small number of tallies recorded for both subclasses."

- a) Confirm that your statement is referring to Nonprofit ECR and ECR. If not confirmed, please explain.
- b) Identify the "problem" that you note in your statement. If not, why not? If so, what conclusions did you draw from such analysis?
- c) In drawing this conclusion, did you compare the number of tallies recorded for Nonprofit ECR and ECR?
- d) What is the total number of Nonprofit ECR tallies that you considered in drawing this conclusion, per weight increment, and for the subclass as a whole?
- e) What is the total number of ECR tallies that you considered in drawing this conclusion, per weight increment, and for the subclass as a whole?
- f) Consider a hypothetical subclass in which all mail processing was performed by the mailer, and the mail was given directly to the carrier ready for delivery.
 - (i) Please confirm that there should be very few mail processing tallies associated with this subclass. If not confirmed, please explain fully.
 - (ii) For this hypothetical subclass, would the thinness of tallies be indicative of a problem with a low cost estimate and a large worksharing discount?
- g) Would you expect that heavily workshared subclasses, which require very little processing by the Postal Service, would have fewer tallies than less workshared subclasses, if all other things were the same?
- h) Please confirm that for a given volume of mail, fewer tallies would be indicative of less handling of the mail, and therefore reflect lower costs? If not confirmed, please explain fully.

USPS/NAA-T1-10. On page 14 of your testimony, you refer to a "major ECR rate design restructuring" that witness Moeller allegedly performs.

- a) Confirm that the "major ECR rate design restructuring" to which you refer is the reduction in the ECR pound rate from \$0.663 to \$0.584. If not confirmed, please explain.
- b) Does your statement intend that a proposed rate reduction for a particular rate element on the order of approximately 12% should be interpreted as a "major" rate design restructuring? Please explain.
- c) What consequence does a reduction in the pound rate have on the piece rate element for pound rated pieces?
- d) If the overall rate change for a given subclass is a 5% increase, what is the maximum percentage change for an individual piece that you view as *not* being a major rate design restructuring?
- e) If variations in percentage change by rate category is defined as "major rate design restructuring," how would you characterize the addition of a new worksharing discount?
- f) Would you also claim that a rate increase of 12% of any given rate element would be a "major rate design restructuring"? Please explain.

USPS/NAA-T1-11. Please refer to page 14 of your testimony, where you state, "[a]lthough she does not endorse them, witness Daniel includes in her analysis several regressions generated by the Excel spreadsheet program."

- a) Identify all of the Excel spreadsheet programs to which your statement refers, and provide a citation to the transcript, library reference, or testimony where the regressions are found.
- b) Provide all citations to documents in this record that underlie your acknowledgement that witness Daniel "does not endorse" the "several regressions" referenced in your statement.

USPS/NAA-T1--12. You state on page 16 of your testimony that witness Daniel "*does use weighted regression to justify rate design in the Periodicals subclass.*"

- a) Is it your belief that the patterns of weight by ounce increment of Periodicals Mail would be similar to that of ECR? Please explain.
- b) Do you believe that the Periodicals rate structures (excluding Within County) are similar to that ECR? Please explain.
- c) Identify all of the ways in which the Periodicals rate structure (excluding Within County) differs from the piece/pound structure of ECR.
- d) Do you claim that consistency in the use of weighted regressions between Periodicals Regular and ECR is a worthwhile objective when analyzing the relationship between weight and cost in these subclasses? Please explain.

USPS/NAA-T1-13. You note on page 18 that "equalizing these cost coverages [for Standard Mail (A) Regular] would require, *ceteris paribus*, an increase in the Regular pound rate." (footnote omitted)

- a) Does NAA support the concept of narrowing the difference in the implicit cost coverages for pound-rated and piece-rated pieces in Standard Mail (A)? In the Standard Mail (A) Regular Subclass? In the ECR subclass? Please explain.
- b) Does NAA favor an increase, decrease, or no change in the Regular subclass pound rate? Please explain.
- c) Does NAA favor an increase, decrease, or no change in the Nonprofit subclass pound rate? Please explain.
- d) Does NAA favor an increase, decrease, or no change in the Nonprofit ECR subclass pound rate? Please explain.

USPS/NAA-T1-14. Please see the table on page 19 of your testimony. Do the unit revenue figures include revenue from the residual shape surcharge?

USPS/NAA-T1-15. On page 19 of your testimony, you state:

The Postal Service's inconsistency is not confined to Standard A mail. Applying the same comparison to First Class Single Piece mail, classifying 1 ounce pieces as "piece-rated" and greater than 1 ounce pieces as "pound-rated," gives a before-rates cost coverage for one-ounce pieces of 164.7% and a cost coverage for heavier pieces of 185.0%.

- a) Identify the characteristics that differ between the additional ounce rate in First-Class Mail and the pound rate in Standard Mail (A) ECR.
- b) Identify the characteristics that differ between the First-Class Mail first ounce increment and the piece rate in Standard Mail (A) ECR.
- c) Does your analysis on page 20 include revenue for the nonstandard surcharge?

USPS/NAA-T1-16. Please see your testimony at page 20, line 9, through page 21, line 4. You state:

In addition to the above examples, it should be noted that the cost coverage comparison is not discussed at all for Standard A Nonprofit ECR. In the Nonprofit ECR subclass, witness Moeller has proposed an increase in the pound rate. It is interesting to observe that the Postal Service also estimates the own-price elasticity of Nonprofit ECR mail estimates to be -0.162 indicating a relatively inelastic demand and that there may be fewer competitive threats to the Postal Service. Thus, it would appear that the Postal Service is proposing pound decreases in more competitive Standard A subclasses, and pound rate increases in what are perceived to be less competitive Standard A subclasses. Although he denies any competitive rationale for his proposed pound rate changes, his proposals certainly conform to a pattern of a "stealth" competitive reductions. (footnote omitted)

- a. Is it your position that the Postal Service views nonprofit Standard Mail (A) as material that can be priced in a manner that enhances the Postal Service's revenue due to a lack of competition for this mail?
- b. Explain your belief as to how the markups for the nonprofit subclasses are selected.
- c. Is it your belief that the markup for nonprofit subclasses can be selected independently by the Postal Service?
- d. Do you know how the markup for ECR affects the markup for Nonprofit ECR? If so, please explain.
- e. Is it your understanding that the own-price elasticity for Nonprofit ECR is for the entire subclass, or just the pound-rated portion?
- f. Is it your belief that witness Moeller's proposed pound rate for Nonprofit ECR would have been lower if demand for Nonprofit ECR had been less inelastic?

USPS/NAA-T1-17. Please see your testimony at page 21, lines 18-21. You state:

The rate proposals conform to a pattern of an enterprise seeking to use rate levels and rate design to shift volume from private enterprise competitors and to finance these rate structures with revenues from mail legally protected from competition.

- a. Identify, by parameters of content and rate category, all of the classifications of mail that you believe "are legally protected from competition."
- b. Identify, by parameters of content and rate category, all of the classifications of mail that you believe are benefited financially from the "revenues from mail legally protected from competition."
- c. Within the First-Class Mail rate design, please explain how the proposal "conforms to a pattern of an enterprise seeking to use rate levels and rate design to shift volume from private competitors and to finance these rate structures with revenues from mail legally protected from competition."
- d. Within the Standard Mail (A) rate design, please explain how the proposal "conforms to a pattern of an enterprise seeking to use rate levels and rate design to shift volume from private competitors and to finance these rate structures with revenues from mail legally protected from competition."

USPS/NAA-T1-18. Please see your testimony at page 23, line 9. You state:

As I will show, this proposal is not well supported and gives rise to undesirable anomalies in rate design for both the Standard A commercial Regular and ECR subclasses.

- a) Identify precisely the "anomalies" to which you are referring.

- b) State whether these are the same anomalies referred to on page 24 lines 7, 14, and 19. If not, please explain.
- c) Define "anomalies" as it used in your statement on page 23.

USPS/NAA-T1-19. Please see your testimony at page 24, lines 10-12. You state:

Witness Moeller places the blame for the rate anomalies on a professed necessity to live within the constraint of the cost coverages he was ostensibly given by witness Mayes. She, in turn, claims that curing the anomalies are Mr. Moeller's responsibility, since he is the rate design witness.

- a) Provide all citations to the record showing where witness Moeller assigns alleged "blame" regarding rate anomalies.
- b) Provide all citations to the record showing where witness Mayes assigns alleged "blame" regarding rate anomalies.
- c) Identify precisely the "anomalies" to which you are referring.

USPS/NAA-T1-20. Please refer to page 25 of your testimony, lines 12-13.

- a. On what basis do you assert that Library Reference USPS-LR-I-149 was "sponsored by witness Bernstein"? Provide citations to the record supporting your claim.
- b. Provide your understanding of the term "sponsorship."

USPS/NAA-T1-21. Please refer to pages 26-27 of your testimony, where you state:

Ms. Mayes confirms that First Class markup index is going up at Tr. 11/347-48 (Mayes). She argues "the shift of some of this institutional burden to First-Class Mail, particularly in view of the relatively small increase in First-Class Mail rates, was not viewed as unfair." Tr. 11/4350 (Mayes). Note that the effect of this shift is that the First Class share of non-volume variable costs has increased from the Postal Service's R97-1 proposal of 62 percent to the current proposal of 64 percent. Tr. 11/4351 (Mayes). This shifting of the institutional cost burden to a monopoly class is unjustified, and is something this Commission should not tolerate.

- a) Please identify the "monopoly class" to which your statement refers. Does your statement refer to the entire class, a subclass, or only portions thereof?
- b) Confirm that the 62 percent markup that you cite in your statement is based on the PRC recommended cost coverage for First-Class Mail Letters & Sealed Parcels Subclass in Docket No. R97-1.

- c) Confirm that the 64 percent markup that you cite in your statement is based on the USPS proposed cost coverage for First-Class Mail Letters & Sealed Parcels Subclass in Docket No. R2000-1.
- d) Does your statement assume that the entirety of the increase in the First-Class Mail markup is the result of an effective reduction in the Standard Mail (A) markup? Please explain your response.

USPS/NAA-T1-22. Please see your testimony at page 27, footnote 49. Please provide the passage in the citation and highlight that portion of the quotation that addresses your contention that "Mr. Moeller claims that the anomalous passthroughs that he proposes are unavoidable consequences of adhering to the cost coverages which he takes as given from Witness Mayes."

USPS/NAA-T1-23. Please see your testimony at page 28, footnote 50.

- a. Confirm that the citation only includes the first sentence of witness Moeller's response to the question.
- b. Is it your claim that the next sentence in witness Moeller's response, which reads "the rate design attempts to recognize as much of the measured cost difference that is appropriate and possible," is a dismissal "of costs as a rate design objective"? Please explain fully.

USPS/NAA-T1-24. Please see your testimony at page 30, lines 14-17. You state:

In short, passthrough percentages varying from 0 to 500% were imposed ostensibly to accommodate witness Mayes's proposed reduction in the ECR cost coverage, yet maintain desired rate relationships. The failure even to consider adjusting cost coverages to eliminate the passthrough anomalies is a serious omission.

- a) To what "desired rate relationships" does your statement refer?
- b) Is it your testimony that the passthroughs selected in the rate design of Standard Mail (A) were solely based on a desire to accommodate a proposed reduction in the ECR cost coverage?
- c) If your response to subpart (b) is affirmative, provide citations to the record supporting your claim.
- d) Is it your belief that the proposed change in the volume variability of mail processing costs in this docket should have no influence on the cost differences for rate categories in Standard Mail (A) Regular?
- e) In what manner does the change in volume variability in mail processing costs proposed by the Postal Service in this docket affect the differentials in Standard Mail (A) Regular?

USPS/NAA-T1-25. Please see your testimony at page 32, lines 8-9. Is your diagram intended to depict the "iterative process" mentioned in the citation in footnote 56? If not, what purpose does the diagram serve?

USPS/NAA-T1-26. Please see your testimony at page 33, lines 4-5. You state that "[i]t is interesting to note that the resulting rate proposals are entirely consistent with a desire to divert volume from private enterprise competitors."

- a) Please confirm that the USPS proposed cost coverage for ECR is 208.8 percent. If you cannot confirm, please provide what you believe the proposed cost coverage to be.
- b) Please confirm that the proposed systemwide cost coverage is 168.0 percent. If you cannot confirm, please provide what you believe the proposed cost coverage to be.
- c) Would a cost coverage lower than that confirmed or provided by you in subpart (a) be more consistent with the "desire to divert volume from private enterprise competitors?" If your answer is no, please explain.
- d) What quantitative analysis did you undertake to support your claim that the proposed USPS rates will result in an alleged diversion of volume from private sector competitors? Provide all documents that were prepared for this analysis and show all calculations.
- e) Please provide your estimate of TYAR ECR volume if it differs from that provided by the Postal Service.
- f) Please identify exactly how much of the volume difference between TYBR and TYAR is due to diverting volume from private enterprise competitors.

USPS/NAA-T1-27. Please see your testimony at page 38, footnote 70. Are you suggesting that the percentage rate change calculation by witness Moeller did not control for migration? If your answer is positive, define "control for migration."

USPS/NAA-T1-28. On page 35 of your testimony, you state:

Were the Postal Service to use its incremental cost measure to calculate the ECR cost coverage at its proposed rates, the resulting cost coverage would also be lower than that proposed by the Postal Service.

- a) Is it common for a firm that cannot obtain sufficient revenues from prices set at marginal cost to set markups on the basis of marginal costs, and to use incremental costs to measure whether a product is not being cross-subsidized with revenues from other products? Please explain your response.
- b) Please provide a list of all other subclasses for which the use of the "incremental cost measure to calculate the ... cost coverage at its proposed rates, the resulting cost coverage would also be lower than that proposed by the Postal Service."

USPS/NAA-T1-29. Please see your testimony at page 41, where you present a table comparing contributions between First-Class and ECR.

- a. Ideally, within a subclass, should the unit contribution be similar for all pieces? If your response is affirmative, please provide the basis for this belief.
- b. In Standard Mail (A), is it your understanding that the unit contribution is higher for ECR than for Regular?
- c. In your view, what factors support having a higher unit contribution for Regular than ECR?
- d. Should the unit contribution for Priority Mail be higher or lower than First-Class Single Piece? Please explain.
- e. Do you believe that, for a typical multi-product enterprise, unit contribution should be a standard used in determining optimal prices for an array of products? If your answer is negative, please explain your response.
- f. Do you believe that most multi-product enterprises set prices to achieve parity in unit contribution among the products, or do multi-product enterprises more typically consider prices in relation to the marginal costs of each discrete product? Please explain your response and provide examples.

USPS/NAA-T1-30. On page 42 of your testimony, you state that "unlike cost coverage percentages, unit contributions are not distorted by the differing degrees of worksharing among the various subclasses."

- a) Identify the "distortion" to which your statement refers.
- b) Provide a quantitative illustration of the distortion to which your statement refers.
- c) Please confirm that the unit contribution is affected by the amount of worksharing that the mailer chooses to perform, as well as the passthrough of the postal costs avoided. If you cannot confirm, please explain fully.

USPS/NAA-T1-31. On page 45, you claim that the Postal Service has an "objective of diverting mail from private sector competitors."

- a) Confirm that your statement implies that the Postal Service intends the result you claim, *i.e.*, diverting mail from private sector competitors."
- b) Putting aside the concerns of newspapers and alternative delivery, do you believe that, as a general matter, advertisers and their customers are better or worse off if the Postal Service offers lower rates for heavier weight Standard Mail (A) matter?
- c) Provide citations to all evidence in this docket that supports your allegation in the introductory subpart in this question.

USPS/NAA-T1-32. If you are unable to confirm any of the following, please explain fully. Please refer to page 45 of your testimony, where you state:

Witness Tolley estimates that fully 16.43% of the volume increase in ECR occurs as a result of past decisions to allow the ECR pound

rate to decline in real terms, while rates of private enterprise competitors have gone up. [citing USPS-T-6 at page 132, Table 12.]

- a. Please confirm that the 16.43 percent which you cite from Dr. Tolley's Table 12 is the product of the observed change in the price of newspaper advertising over the last five years (20.7 percent increase) and the estimated elasticity of demand with respect to that variable (0.812).
- b. Please confirm that the elasticity with respect to the price of newspaper advertising is from a regression analysis conducted by witness Thress (USPS-T-7) which, in estimating that elasticity, holds constant all other factors.
- c. Please confirm that Dr. Tolley's estimate of a 16.43 percent increase in ECR volume on account of increases in the price of newspaper advertising is, contrary to your testimony, independent of any changes in any aspect of the ECR rates, including the ECR pound rate.
- d. Please confirm that, in terms of Table 12 in USPS-T-6, the place where any effect of changes in the real ECR pound rate over the five-year period would be reflected would be in the "Own price" row.
- e. Please confirm that the own price of ECR over the five-year period, expressed in real terms, increased 2.0 percent, and, when multiplied by the estimated own-price elasticity, resulted in an estimated 1.62 percent decline in ECR volume.

USPS/NAA-T1-33. Please see your testimony at page 46, line 13, through page 47, line 2.

However, there is no evidence that there are different levels of competition within different rate cells. Ergo, there is no reason not to raise the rates for the cells with proposed declines in rates except a cost rationale.

- a. Do you believe that if there were evidence of different levels of competition within different rate cells, that that would provide a reason for variations in the percentage changes for individual rate cells? If so, please explain how you would go about determining those percentage changes.
- b. Is it your belief that economically rational firms only make pricing decisions on the basis of a quantitative evaluation of competition for a given product, or do firms also consider qualitative factors informing the level of competition in a given market when considering prices for a product? Please explain your response.

USPS/NAA-T1-34. Provide the charts on pages 48 and 49 of your testimony using 0 in lieu of 0.10 as the y-axis intercept.

USPS/NAA-T1-35. Please refer to footnote 83 on page 47 of your testimony, where you state:

The following charts use Dr. Tolley's "PC" deflator, but a deflator such as Mr. Tayman's measure of general inflation would show similar results, Source: Witness Tolley Workpapers, LR-I-121, weighted average constructed using fixed proportions as given by Dr. Tolley's Before-Rates volumes.

Provide the charts on pages 48 and 49 of your testimony using Mr. Tayman's measure of general inflation, and using 0 in lieu of 0.10 as the y-axis intercept.

USPS/NAA-T1-36. Provide the chart on page 50 using 0 in lieu of 60.0 as the y-axis intercept.

USPS/NAA-T1-37. You state on page 51 of your testimony that:

Relatively high cost coverages for heavily workshared classes are not an anomaly, but rather the direct consequence of basing rate discounts on avoided costs of worksharing.

- a) Please explain how your statement is consistent (or inconsistent) with the historical treatment of Periodicals Mail Regular cost coverages.
- b) Do you believe that criterion 6 of 39 USC 3622(b) weighs in favor of relatively lower cost coverages for highly workshared subclasses?
- c) If your response to subpart (b) is negative, how do you believe criterion 6 should be used to evaluate the cost coverage of highly workshared classes? What Commission precedents support your response? Provide relevant citations.

USPS/NAA-T1-38. Please see your testimony at page 52, lines 10-11 where you state, "[d]ropping the pound rate and lowering the ECR cost coverage would have the effect of diverting volume from private enterprise competitors of ECR mail."

- a) Please provide all quantitative analysis you have performed to support this contention.
- b) Identify by name the "private enterprise competitors of ECR mail" to which you refer in your testimony.
- c) Identify the "private enterprise competitors of ECR mail" by codes in the *Standard Industrial Classification (SIC)* and the *North American Industry Classification System (NAICS)*.
- d) State whether you reviewed the prices, either on an industry-wide basis or for individual firms, for the competing products offered by private enterprise competitors of ECR mail.

- e) Do you know whether the prices offered by alternative delivery for products competing with ECR are higher or lower than those proposed by the USPS for ECR? If your answer is affirmative, what is the source of your information?
- f) Do you know whether the prices offered by newspapers for products competing with ECR are higher or lower than those proposed by the USPS for ECR? If your answer is affirmative, what is the source of your information?
- g) Identify the quantitative information that you considered in drawing your conclusion that volume will be diverted from private enterprise competitors by virtue of the USPS proposed ECR rates.
- h) In preparing for your written testimony, did you discuss the weight characteristics or pricing information concerning newspaper advertising and/or alternative delivery with persons having knowledge of products that compete with ECR mail?
 - (i) If so, identify separately each of the person(s) you interviewed or had discussions with by name, title and organization.
 - (ii) Provide copies of any notes of conversations that you had with such persons (exclude any privileged attorney-client communications).
 - (iii) Provide the prices charged for products that compete with ECR mail.
- i) In preparing your written testimony, did you review any studies, analyses, or other data concerning the weight characteristics of advertising matter in newspapers or alternative delivery pieces that compete with ECR mail?
 - (i) Identify each piece of information that you considered by title, date, and author; and
 - (ii) Provide a copy of each piece of information that you considered.
- j) In preparing your written testimony, did you review any studies, analyses, or other data concerning the prices of advertising matter in newspapers or alternative delivery pieces that compete with ECR mail?
 - (i) Identify each piece of information that you considered by title, date, and author; and
 - (ii) Provide a copy of each piece of information that you considered.

USPS/NAA-T1-39. Please see your testimony at page 52, lines 20-21. Please quantify the "past increases in volume of competitive classes due to diversion from private delivery."

USPS/NAA-T1-40. Please refer to pages 33-35 of your testimony where you discuss the ECR cost coverage. If you do not confirm any of the following, please explain fully.

- a. Please confirm that, to the extent that price elasticity information was used to determine the appropriate cost coverage relationships in Docket No. R97-1,

comparisons were made using the best estimates of the elasticities for the various subclasses available for that proceeding.

- b. Please confirm that when developing cost coverages for Docket No. R2000-1, similar comparisons were made using the best estimates of the elasticities for the various subclasses available for this proceeding.
- c. Please confirm that when those comparisons were made in Docket No. R2000-1, the relative levels of price elasticity among the subclasses had changed from the relative levels observed in Docket No. R97-1 because the estimated elasticity for ECR had changed (e.g., whereas the own price elasticity of ECR in Docket No. R97-1 was approximately 2.5 times the price elasticity of First-Class letters, the elasticity of ECR in Docket No. R2000-1 is approximately 3.5 times that of First-Class letters).
- d. Please confirm that, to the extent that price elasticity information was used to determine the appropriate cost coverage relationships in Docket No. R97-1, the change observed in the relative levels of price elasticity in Docket No. R2000-1 (e.g., ECR versus First-Class letters) would justify a reevaluation of the relative cost coverages, regardless of whether the observed change in price elasticity (i.e., R97 ECR versus R2000 ECR) was the result of structural change in demand over time or an improved ability to measure demand.

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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June 15, 2000