

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE AND FEE CHANGES, 2000

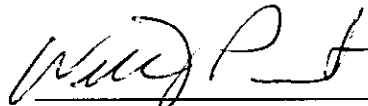
DOCKET NO. R2000-1

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

ANSWER OF UNITED PARCEL SERVICE WITNESS
RALPH L. LUCIANI TO UNITED STATES
POSTAL SERVICE INTERROGATORY
(USPS/UPS-T5-4)
(June 22, 2000)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby files and serves the answer of UPS witness Ralph L. Luciani to the following interrogatory of the United States Postal Service: USPS/UPS-T5-4.

Respectfully submitted,



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Of Counsel.

ANSWER OF UNITED PARCEL SERVICE WITNESS LUCIANI
TO INTERROGATORY OF THE UNITED STATES POSTAL SERVICE

USPS/UPS-T5-4. Does your method for estimating volumes and revenues on page 19 of your testimony account for the cross-price elasticities estimated for each mail category? If yes, please explain how and where this is accomplished in your Workpaper 3. If no, please confirm that your volume and revenue forecasts are incorrect.

Response to USPS/UPS-T5-4.

The Parcel Post volume estimation model I use includes a Priority Mail cross-price. For Priority Mail, the volume changes in response to the TYAR price changes applied in my analysis are based directly on the volume changes in response to TYAR price changes in the Postal Service's models. It was presumed that the cross-price relationships embodied in the Postal Service's TYAR projections would remain applicable. I note that the cross-price elasticity of Parcel Post price changes on Priority Mail volume is relatively low at 0.055 (USPS-T-8, page 24), meaning, for example, that a 20% Parcel Post price increase increases Priority Mail volume by only 1.0%. My simplified projection of TYAR volume and price information is appropriate for purposes of indicating to the Commission the impact of the proposed UPS recommendations on the applicable mail classes. It is not intended to provide the precision that will be achieved by application of the Commission's more sophisticated modeling of the Test Year After Rates.

DECLARATION

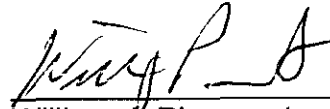
I, Ralph L. Luciani, hereby declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

Ralph L. Luciani
Ralph L. Luciani

Dated: 6/21/00

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.



William J. Pinamont
Attorney for United Parcel Service

Dated: June 22, 2000
Philadelphia, Pa.

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