

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

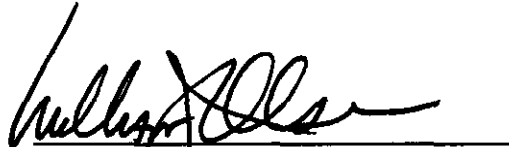
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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R2000-1

POSTAL RATE AND FEE CHANGES, 2000)

RESPONSE OF ASSOCIATION OF PRIORITY MAIL USERS, INC.
WITNESS JOHN HALDI TO INTERROGATORIES OF
UNITED PARCEL SERVICE (UPS/APMU-T1-23-24)
(July 3, 2000)

Association of Priority Mail Users, Inc. ("APMU") hereby provides the following responses of witness John Haldi to the following interrogatories of United Parcel Service: UPS/APMU-T1-23-24, filed on June 19, 2000. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

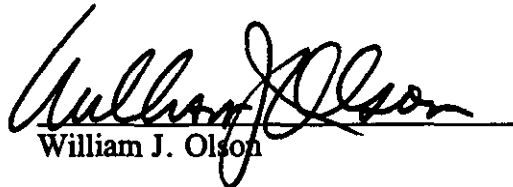


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CERTIFICATE OF SERVICE

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.



William J. Olson

July 3, 2000

**Response of APMU Witness John Haldi Response to Interrogatory
of United Parcel Service**

UPS/APMU-T1-23.

Refer to page 74 of your testimony, APMU-T-1. Confirm that, under your rate proposal, Priority Mail would contribute \$2.343 billion to institutional costs in the Test Year.

Response:

Confirmed. My proposed rates (in conjunction with my proposed reduction in the weight limit for First-Class Mail from 13 to 11 ounces) result in an average 2.6 percent increase in Priority Mail rates, and an institutional contribution of \$2.343 billion. Be assured that I would much rather defend my estimates than UPS' assertion that its proposed 40.3 percent increase would result in a contribution of nearly \$2.5 billion. Only once in the past 19 years has Priority Mail had a rate increase in excess of 5.6 percent (in 1991, Priority Mail rates increased by 19 percent; *see* USPS-T-34, p. 7). UPS' econometric projection in this docket thus goes far beyond the base of historic experience used to develop the parameters in witness Musgrave's model; hence it is subject to considerable uncertainty in the range where UPS would employ the model to project volumes, revenues and contribution.

**Response of APMU Witness John Haldi Response to Interrogatory
of United Parcel Service**

UPS/APMU-T1-24.

Confirm that, under the Postal Service's rate proposal, Priority Mail would contribute \$2.478 billion to institutional costs in the Test Year (USPS-T-14, Exhibit USPS-14M).

Response:

Confirmed that witness Kashani's exhibit uses the figure you cite. However, witness Robinson's estimate of Priority Mail's TYAR contribution including pickup revenue and cost, and fee revenue is equal to \$2.475 billion (*see* USPS-T-34, Table 3, p. 8, rows v and w).

I maintain that my Priority Mail volume and contribution projections, based upon a more modest 2.6 percent average increase in Priority Mail rates, are less speculative than the Postal Service's projections, in which an average rate increase of 15 percent is projected to result in a TYAR contribution that is 29 percent higher than the FY 2000 estimate. This remarkably sanguine estimate becomes striking when compared to recent annual changes in the contribution from Priority Mail. From the data shown below, it can be readily observed that even with rates that were either stable or increased only modestly, the contribution declined in 1996, 1998 and 1999.

**Response of APMU Witness John Haldi Response to Interrogatory
of United Parcel Service**

**Selected Priority Mail Statistics
1995 - 2001**

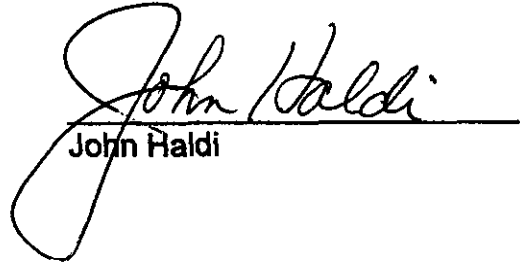
<u>Year</u>	<u>Priority Mail Volume</u>	<u>Priority Mail Revenue</u>	<u>Revs. Less Attrib Cost (PRC)</u>	<u>% Chg</u>	<u>Revs. Less Vol. Var. Cost</u>	<u>% Chg</u>
1995 ¹	869	3,075	1,715		n.a.	
1996	937	3,322	1,681	-2%	n.a.	
1997	1,068	3,859	1,699	+1%	1,976	
1998	1,174	4,150	1,545	-9%	1,830	-7%
1999 ²	1,189	4,533	n.a.		1,772	-3%
2000	1,230	4,741	n.a.		1,913	+8%
2001BR	1,357	5,227	n.a.		1,963	+3%
2001AR	1,250	5,542	n.a.		2,475	+29%

¹ Average rate increase of 4.8 percent effective January 1, 1995.

² Average rate increase of 5.6 percent effective January 10, 1999.

DECLARATION

I, John Haldi, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


John Haldi

Dated: July 3, 2000