

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

RECEIVED

JUL 3 3 17 PM '00

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

U.S. DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

**RESPONSES OF NEWSPAPER ASSOCIATION OF AMERICA
WITNESS WILLIAM B. TYE TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE (USPS/NAA-T1-41-57)**

July 3, 2000

The Newspaper Association of America hereby provides the responses of witness William B. Tye to the following interrogatories of the United States Postal Service (USPS/NAA-T1-41-57), filed on June 19, 2000. Each interrogatory is stated verbatim and is followed by the response. A declaration is attached.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

Robert J. Brinkmann
NEWSPAPER ASSOCIATION OF AMERICA
529 14th Street, N.W.
Suite 440
Washington, D.C.
(202) 638-4792

By: William B. Baker
William B. Baker
E. Joseph Knoll III
Isaac R. Campbell
WILEY, REIN & FIELDING
1776 K Street, N.W.
Washington, DC 20006-2304
(202) 719-7255

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

July 3, 2000

William B. Baker
William B. Baker

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-41. Please refer to your testimony at page 3, lines 5-8, where you state: "this reasoning ignores the by-now generally accepted principle that heavily work-shared subclasses will have high cost coverages precisely because of the cost avoidance from worksharing."

- a. Please provide citations to Commission Recommended Decisions, testimony from this or previous ratemaking dockets, or Decisions of the Postal Service Board of Governors which articulate this "generally accepted principle."
- b. Are you aware of any efforts on the part of the Postal Service or other parties to postal ratemaking proceedings to lower the "high cost coverages" for "heavily work-shared subclasses?" If so, please provide citations to such proceedings.
- c. Is it your testimony that §3622(b)(6) should be interpreted to mean that the more worksharing a customer performs, the higher the cost coverage assigned to that customer's mail should be? If so, please provide citations to legal decisions or Commission Recommended Decisions to support this contention. If not, please reconcile this position with your statement from page 3 of your testimony.

RESPONSE:

- (a) See my responses to USPS/NAA-T1-30 (b) and USPS/NAA-T1-37 (a).
- (b) Yes. The Postal Service in the current proceeding proposes to lower the ECR cost coverage. See my response to USPS/NAA-T1-26 (a-b) and my direct testimony at pages 25-26.
- (c) Not necessarily. The point is that a high cost coverage for heavily workshared mail can be misleading because it is the result of arithmetic. Other measures, such as unit contributions, can be more useful in such contexts. See my response to USPS/NAA-T1-30 (b).

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-42. Please refer to your testimony at page 3, lines 11-14, where you state: "The proposed lowering of ECR cost coverage, as with the proposal to cut the pound rate, appears to be part of an ongoing effort to divert ECR mail from private enterprise competitors, and should be rejected by the Commission." Do you believe that in any circumstance in which the Postal Service attempts to lower a rate, either on the basis of a lowered cost due to postal efficiency or in the interest of fairness within a subgroup of postal prices, and that rate is for a portion of mail for which private competition exists, the Commission should interpret this proposed rate reduction as "part of an ongoing effort to divert ... mail from private enterprise competitors" and should reject such proposals?

RESPONSE:

No. The word "any" is ambiguous. If you mean "every," then the answer is no.

Otherwise, there are some such circumstances, as explained in my direct testimony.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-43. At page 3, lines 18-22, of your testimony, you state that the Commission should adopt rates for ECR that "at least maintain the unit contributions established in Docket No. R97-1 using the Commission's cost attribution methodology, after adjusting for actual 1999 costs, and sufficient to ensure that the cost coverage or markup index does not decline in absolute or relative terms". Is it your testimony that the Commission should adopt this recommendation as a general principle for all subclasses of mail? If not, please provide a list of the subclasses to which this general principle should not apply, and provide rationale for why they should be treated differently than you have recommended for ECR.

RESPONSE:

Determination of rates for all subclasses was outside the scope of my testimony.

See page 1 of my direct testimony, lines 15-20.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-44. Please refer to your testimony at page 24, lines 3-5. You state:

However, [witness Mayes] has since retreated from the only objective consideration she could offer as to why ECR coverages should be reduced. Moreover, she has completely ignored another measure - unit cost contribution -that shows that ECR would continue to make a far smaller contribution than First Class mail.

- a. Is your reference there to all Standard Mail A ECR (i.e., commercial and nonprofit ECR)? If not, please provide the correct subset of ECR mail to which your statement applies.
- b. Is your reference there to the entire First-Class Mail class, including the Letters and Sealed Parcels subclass and the Cards subclass? If not, please provide the correct subset of First-Class Mail to which your statement applies.
- c. Do you claim that, except for the application of the Private Express Statutes to First-Class Mail, the two subsets of mail to which your responses to subparts (a) and (b) refer are to be considered equivalent for purposes of establishing unit contribution?
- d. Is it your testimony that every subclass of mail should make the same unit contribution as First Class Mail? If so, please provide the basis for this conclusion. If not, please identify the subclasses which would not be required to make the same unit contribution as First Class Mail.
- e. Please confirm that §3622(b) does not make reference to unit contributions. If you do not confirm, please provide a citation to such reference.

RESPONSE:

- (a) No. My reference is to commercial Standard Mail (A) ECR.
- (b) No. My reference is to the Letters and Sealed Parcels subclass.
- (c) No.
- (d) No. This is outside the scope of my testimony. See page 1 of my direct testimony, lines 15-20.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

- (e) It does not make specific reference to unit contributions, nor does it make mention of cost coverages. However, I think unit contributions (and cost coverages) are implicit in the factors.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-45. At page 24 of your testimony, you criticize the Postal Service based on your claim that it is abandoning the use of cost coverages as a tool to manage the desired rate relationships between ECR and Regular Standard Mail A subclasses and offer the "simple solution" of raising the cost coverage for ECR. Please confirm that if the only consideration were to "manage the desired rate relationships between the ECR and Regular subclasses," one alternative would be to lower the cost coverage for the Regular subclass.

RESPONSE:

Not confirmed. It is unclear what impact lowering the cost coverage would have on the Regular subclass rate design. See my response to USPS/NAA-29 (c).

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-46. At page 26, lines 8-9 of your testimony, you state that:

the Postal Service is proposing to shift more of the institutional cost burden to a monopoly subclass (First Class) from a competitive subclass (ECR). Ms. Mayes confirms that First Class markup index is going up at Tr. 11/4347-48 (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).

- a. Please confirm that the statement from Tr. 11/4350 is preceded by the following sentence: "In the current case, in deference to criterion 4, it was necessary to moderate the cost coverages for several subclasses of mail which experienced substantial increases in costs in order to moderate the impact on mailers, as measured by percent increase in rates."
- b. Please confirm that ECR was not one of the subclasses to which moderation of rate increases in deference to criterion 4 was extended.

RESPONSE:

(a) Confirmed.

(b) Not confirmed. Ms. Mayes does not detail what subclasses she refers to in that quote.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-47. Please refer to your testimony at page 32, lines 3-10, where you state:

I shall refer to the ratemaking process as described by the Postal Service witnesses as 'top down.' This version of the Postal Service's process starts with target cost coverages determined by witness Mayes, followed by witness Moeller designing rates given the target cost coverages as constraints. I suggest, however, that the real process was a bottom up process, where the Postal Service first determined the rate levels it desired, and then derived the cost coverages necessary to achieve that result... All the evidence points to this conclusion." [footnote omitted]

- a. Please confirm that the "top down" process was described in the responses of witness Mayes to interrogatories NAA/USPS-T32-3 and GCA/USPS-T32-8, as well as at Tr. 11/4491-92 and in response to Presiding Officer's Information Request No. 12, Question 1. If you do not confirm, please explain fully.
- b. Please confirm that your reference to "all the evidence" at line 10 is limited to the results of this process and not to other documentation of this process as suggested in your statement. If you do not confirm, please provide all evidence, including rate design workpapers, transcripts of conversations, copies of slides or other presentations, and alternate rate proposals suggesting that the process was as you have described.

RESPONSE:

(a) Confirmed.

(b) Not confirmed. It is not clear what you mean by the "results of this process."

My reference to "all the evidence" includes the testimony and workpapers of witnesses Moeller, Fronk, Mayes and their interrogatory responses and oral testimony. See in particular witness Moeller's responses to NAA/USPS-T35-1 through 9.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-48. Please refer to your testimony at page 36, lines 11-16. You state:

The Postal Service fails to account for shifts in the distribution mail volume...due to proposed changes in rate design.... As a result, it overestimates the percentage increase in ECR revenues per piece that will be realized at its proposed rates in the test year.

Please confirm that witness Tolley provides individual forecasts for eight subcategories of ECR volume. If you do not confirm, please provide the correct number.

RESPONSE:

Not confirmed. Library Reference USPS-LR-I-121 shows that witness Tolley has seven individual forecasts across the automation and nonautomation subcategories, and then calculates a nonautomation total by summing up the six nonautomation subcategories.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-49. Please refer to your testimony at page 39, lines 3-7, where you state:

some categories (*i.e.*, piece-rated nonletters in the High Density category) are forecasted to experience an increase in rates simultaneously with an increase in volume, while other categories (*i.e.*, pound-rated nonletters in the Saturation category) are forecasted to experience a decrease in rates and a decrease in volume.

- a. Please confirm that the price for the aggregate category, High Density nonletters, went down from TYBR to TYAR. If you do not confirm, please provide a correction to the previous statement.
- b. If you confirm that the price for the aggregate category, High Density nonletters, went down from TYBR to TYAR, please confirm that you would expect to see the volume for the aggregate category go up from TYBR to TYAR, all else equal. If you do not confirm, please provide a correction to the previous statement.
- c. Please confirm that Dr. Tolley and Mr. Thress did not forecast volumes for subcategories of the aggregate category, High Density nonletters. If you do not confirm, please provide the forecasts of those volumes.
- d. Please confirm that, in the absence of forecasts of the subcategories, witness Moeller used existing distributions to spread the aggregate volumes to the subcategories.

RESPONSE:

- (a) I can confirm that a calculation of forecasted prices can be made from witness Moeller Workpaper 1, page 34.
- (b) Confirmed. However, this result is true for your example only because the High Density nonletters category is one of the aggregate rate categories used by Dr. Tolley in his forecast. This fact does not resolve the problem, identified at page 39 of my direct testimony, of perverse results occurring at

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

lower levels of aggregation arising from Mr. Moeller's use of FY1998 billing determinants and his failure to account for migration.

(c) Confirmed. Witness Moeller forecasted the volumes at page 3 of his Workpaper 1.

(d) Not confirmed. It is not clear what is meant by "existing distributions," although witness Moeller did use FY98 billing determinants at page 2 of his Workpaper 1. See part c.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-50. Please refer to your testimony at page 42, lines 2-5, where you state: "It is important to consider unit contributions. First, they highlight the actual contribution being made by the average piece. This can facilitate comparisons among similar subclasses. Second, unlike cost coverage percentages, unit contributions are not distorted by the differing degrees of worksharing among the various subclasses."

- a. As you have performed a comparison of unit contributions for the aggregate categories of First Class and ECR on page 41 of your testimony, is it your contention that these are "similar subclasses"? If not, please explain why it was appropriate to use unit contribution as a means of comparison. If so, please explain how these subclasses may be viewed as "similar," providing details regarding their physical, legal and market characteristics. Also, please identify all characteristics that you believe lead these subclasses to not be "similar."
- b. Please confirm that equalizing unit contributions for subgroups of mail with disparate unit costs will result in different cost coverages for those subgroups of mail. If you do not confirm, please explain fully.
- c. Please confirm that at page 18 of your testimony, and elsewhere, you criticize witness Moeller for not designing rates that equalize, or at least bring closer together, the cost coverages for subgroups of Standard A mail (e.g., Standard A Regular piece-rated and pound-rated pieces). If you do not confirm, please provide an alternate explanation for your testimony at page 18.
- d. If you have confirmed parts (b) and (c) above, please explain whether the Commission should be attempting to equalize unit contributions or cost coverages.

RESPONSE:

- (a) They are similar in some but not all characteristics. Both have substantial volume, so the revenues are critical to the recovery of the Postal Service's institutional costs. Both have substantial volumes of letters and flats. As found in the response of witness Kingsley to NAA/USPS-T10-11, once ECR letters are merged in DPS processing, they receive the same handling. The Commission in its Docket No.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

R97-1 Opinion at 5553 also compared the unit contributions of First Class and ECR, stating, "Standard A ECR will make a 7.6 cent unit contribution to institutional costs. This is well below the 14.7 cent unit contribution made by First-Class letters, but it is certainly not inconsequential."

(b) Confirmed.

(c) Not confirmed. See my direct testimony at page 17.

(d) Not applicable.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-51. Please see your testimony at page 45, lines 1-9, where you discuss ECR volume increases. Please provide estimates of revenue and volume growth for newspaper advertising that competes with Standard Mail (A) ECR over the same time period.

RESPONSE:

I do not have such estimates.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-52. At page 46, lines 4-7, of your testimony, you state: "Effects on competitors cannot be determined simply by comparing 'the test year before and test year after rates forecasts of postal volumes for each subclass or rate category for which volumes were forecasted.'" Given your belief that this is inadequate for assessing the impact on competitors, please provide an alternative approach to this assessment and provide your conclusions, fully supported by statistical or financial backup, as to the impact of the proposed rate increase for ECR on competitors. If your response includes forecasts of volumes or revenues, please also indicate exactly what portion of the change in volume or revenue is due to postal pricing decisions, and what portion is due to other factors.

RESPONSE:

The interrogatory does not provide a clearly defined alternative rate proposal against which the Postal Service's proposal can be compared. See my response to USPS/NAA-T1-26 (f) for an explanation of why the difference between TY before rates and Test Year after rates volumes is not the correct measure of diversion. See my response to USPS/NAA-T1-32 (c) for a discussion of evidence of the effect of past rate changes in ECR mail volume. However, a more relevant date for such a calculation is the inception of the current ECR subclass arising from Docket No. MC95-1 (1996Q4, according to Library Reference USPS-LR-I-121). Witness Thress's Workpaper 1, Table 1-19, shows that from ECR's inception in 1996Q4 to 1999Q4 (the most recent data available), newspaper advertising prices rose 10.70%. The 0.812 elasticity that witness Thress estimates using his new specification would indicate that ECR volume rose 8.69% as a result. Witness Thress's Workpaper 1, Tables 1-15 and 1-18 shows that real ECR prices dropped 2.66% from 1996Q4 to 1999Q4. The -0.808 elasticity that witness Thress estimates would indicate that ECR volume

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

rose 2.15% as a result. The combination of changes in real ECR rates and price of newspaper advertising since the inception of ECR is approximately $8.69 + 2.15 = 10.84\%$. See the testimony of Mr. White for evidence of the impact of ECR rate changes on private delivery firms.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-53. On Page 50 of your testimony, you refer to "rational relationships among ECR and other subclasses."

- a) In your opinion, are the ECR cost coverages recommended by the PRC in Docket Nos. MC95-1 and R97-1 rational?
- b) In your view, was the Commission's recommended ECR pound rate element of 66.3 cents in Docket Nos. MC95-1 and R97-1 "fair and reasonable" in each instance? Please explain your response.

RESPONSE:

See page 53 of my direct testimony, lines 1-13 and footnote 88. I took the Commission's MC95-1 and R97-1 recommendations as a starting point.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-54. On page 52 of your testimony, you state:

As the Commission recognized in Docket No. R97-I, raising the cost coverage of ECR creates more "headroom" for a desirable rate differential between ECR basic and the 5-digit automation.

Provide the citation to the Commission's R97-1 opinion that supports your statement. Please quote the relevant language.

RESPONSE:

The Commission's Opinion in Docket No. R97-1 stated at paragraph 5535, "Although these factors indicate a lower cost coverage than that proposed, [USPS witness] O'Hara argues that two considerations weigh against a further decrease: 1) a lower cost coverage for ECR mail would impose higher cost coverages on the other subclasses; and 2) a lower ECR cost coverage would present difficulties in designing rates resulting in a Regular subclass automation 5-digit rate below that of ECR basic, which encourages movement of ECR letters into the automation mail stream." Based on this and other evidence in the record, the Commission concluded at paragraph 5550 that, "The Commission agrees with the Service that even though several of the statutory factors might indicate a low ECR cost coverage, on balance the record supports an ECR cost coverage that is well above average."

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-55. On page 52 of your testimony, you state:

Combining an increase in the extra ounce rate for monopoly First Class Mail and a decrease in the pound rate for competitive ECR Mail has the effect of decreasing volume from the first and increasing volume in the latter.

- a) Confirm that pound rated pieces overall will receive a rate increase under the USPS proposal.
- b) Identify the percentage change in rate for pound-rated ECR saturation pieces.
- c) Identify the "competitive ECR mail" to which you refer, with reference to specific weight increments and rate categories within ECR.
- d) Identify and provide copies of all analyses that you considered in drawing this conclusion.

RESPONSE:

- (a) Witness Moeller states in footnote 44 of his testimony, page 23, that revenue per piece for pound-rated ECR pieces is proposed to increase from 19.419 cents to 19.472 cents.
- (b) Witness Moeller on page 34 of his Workpaper 1 states that pound-rated ECR saturation revenue per piece will decline from 16.85 cents to 16.71 cents, a 0.84% decrease.
- (c) I did not have specific weight increments or rate categories in mind with this particular reference, but it is clear that the Postal Service's proposal to cut pound rates is targeting pound-rated mail.
- (d) See my response to USPS/NAA-T1-52.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-56. On page 52 of your testimony, you state:

Rate increases in competitive subclasses will increase the net contribution to institutional cost and also arrest the past increases in volume of competitive classes due to diversion from private enterprise competitors

- a) Identify the "competitive subclasses" and "private enterprise competitors" to which your statement refers.
- b) Are there any subclasses for which there is competition to which your statement does not refer? If so, please identify.
- c) Please confirm that if the "competitive subclasses" have an own-price elasticity greater in absolute value than one, this statement may not be true.
- d) Does this general statement implicitly have a logical conclusion that sets some limit on the rate increases for competitive subclasses, or should rates for competitive subclasses be set at some maximum level? Please explain.
- e) What quantitative data did you consider in drawing this conclusion? Provide relevant citations and figures.
- f) Explain how a "rate increase" "arrests" a past increase in volume.
- g) Does your statement assume that increases in volume for "competitive classes" come at the expense of private sector competitors?
- h) What proportion of increases in volume for competitive classes come at the expense of private sector competitors?
- i) Do you believe that past increases in ECR volume necessarily came at the expense of private enterprise competitors, or could these be attributed to other factors, such as, for example, growth in the overall economy, new entrants in the advertising market, and changes in customer preferences for advertising medium?
- j) Identify and provide all analyses that you considered in drawing the conclusion in subpart (h).
- k) Do you believe that the markets for ECR and its competition are growing or not growing? Please explain your response.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

RESPONSE:

- (a) I was referring specifically to ECR. See also my response to USPS/NAA-T1-38 (b).
- (b) This is outside the scope of my testimony. See page 1 of my direct testimony, lines 15-20.
- (c) Not confirmed.
- (d) The general statement neither sets limits on rate increases or sets maximum rates.
- (e) See my response to USPS/NAA-T1-52.
- (f) If past increases in volume are due to a decision to hold down rates, then a decision to raise rates will offset that effect.
- (g) Not necessarily. But see my response to USPS/NAA-T1-52 for evidence that it has occurred for ECR. Of course, other factors are also possibly at work, as described by witness Tolley in his testimony (USPS-T-6) at pages 129-134.
- (h-j) See part (g) and my response to USPS/NAA-T1-52.
- (j) See witness Tolley testimony (USPS-T-6) for volume history and volume forecasts of ECR. I believe that the Postal Service has performed studies on ECR competitors, which should be available to the Postal Service.

RESPONSE OF NEWSPAPER ASSOCIATION OF AMERICA WITNESS TYE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE

USPS/NAA-T1-57. Please refer to your Appendix B at lines 14-15 of the first page where you state: "[Bernstein's] rate would generate a flood of low-rated advertising mail at the expense of higher rated First Class mail." Please confirm that witness Bernstein's model takes as a constraint that the Postal Service achieve a breakeven financial position.

RESPONSE:

Not confirmed. The constraint is for the Postal Service to achieve a forecasted breakeven position, not necessarily an actual breakeven position. However, I see no direct connection between the quoted testimony and this feature of witness Bernstein's model.

DECLARATION

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

William B. Tye
WILLIAM B. TYE

Dated: July 3, 2000