

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, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BERNSTEIN
TO DMA INTERROGATORIES DMA -T10-1 - 3
(November 21, 2001)

The United States Postal Service hereby provides the response of witness Bernstein to the following interrogatories of DMA: DMA/USPS-T10-1 - 3, filed on November 7, 2001. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:


Eric P. Koetting

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November 21, 2001

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TO INTERROGATORIES OF DMA

DMA/USPS-T10-1. Please refer to Table 16 on page 81 of your testimony.

- (a) Please provide the "system-wide" mark-up that corresponds to the "R2000-1 Mark-ups (Adjusted)" shown in Table 16.
- (b) Please provide a Table similar to Table 16, with an additional column showing the "Mark-up Index" for each Mail Product shown in the Table.

RESPONSE:

- a. As shown on the attached sheet, the corresponding system-wide markup is 65.6 percent. Note that this corresponds to mark-ups over volume variable cost, whereas the mark-ups (and system-wide mark-up) presented in the PRC opinion are mark-ups over attributable cost.
- b. Please see the attached sheet.

**TABLE ACCOMPANYING POSTAL SERVICE WITNESS BERNSTEIN
RESPONSE TO DMA/USPS-T10-1**

a. System-wide R2000-1 Mark-up Using PRC Recommended Rates and USPS Estimated TY Volume Variable Cost Per Piece

	PRC R2000-1 Test Year Recommended Price	USPS R2000-1 Test Year Volume Variable Cost per Piece	PRC R2000-1 Test Year After-Rates Volumes	Revenues = PRC Price x Test Year Volume	Volume Variable Costs with PRC Volumes, USPS Cost per Piece
First-Class LFIPPs	\$ 0.3570	\$ 0.1867	100,149,186	35,749,253	18,697,853
First-Class Cards	\$ 0.1851	\$ 0.1319	5,577,450	1,032,498	735,666
Priority Mail	\$ 4.4589	\$ 2.6053	1,243,245	5,543,505	3,239,026
Express Mail	\$ 14.5411	\$ 6.4717	72,819	1,058,871	471,263
Periodicals In-County	\$ 0.0939	\$ 0.1000	880,587	82,714	88,059
Out of County	\$ 0.2419	\$ 0.2480	9,488,154	2,294,995	2,353,062
Standard Regular	\$ 0.2020	\$ 0.1521	52,464,672	10,596,328	7,977,596
Standard ECR	\$ 0.1517	\$ 0.0794	35,750,714	5,422,913	2,837,310
Standard Parcel Post	\$ 3.2362	\$ 2.8789	367,601	1,189,645	1,058,287
Standard BPM	\$ 1.0561	\$ 0.9503	530,951	560,716	504,563
Standard Media	\$ 1.6541	\$ 1.7610	231,479	382,890	407,632
Registered	\$ 8.7820	\$ 8.2071	10,966	96,304	89,999
Insured	\$ 2.1706	\$ 2.1218	44,783	97,204	95,021
Certified	\$ 1.9000	\$ 1.6118	279,926	531,859	451,185
COD	\$ 5.6383	\$ 4.6919	3,544	19,982	16,628
Money Orders	\$ 1.1177	\$ 0.7318	239,753	267,971	175,451
			207,335,830	64,927,647	39,198,601

System-Wide Mark-Up

65.6%

b. R2000-1 Mark-Up Index Corresponding to Data in Table 16 of USPS-T-10

	R2000-1 Mark-Ups (Adjusted)	Mark-Up Index
First-Class LFIPPs	91.2%	1.389
First-Class Cards	40.3%	0.614
Priority Mail	71.1%	1.083
Express Mail	124.7%	1.900
Periodicals In-County	1.3%	0.020
Out of County	1.3%	0.020
Standard Regular	32.8%	0.500
Standard ECR	91.1%	1.388
Standard Parcel Post	12.4%	0.189
Standard BPM	11.1%	0.169
Standard Media	0.3%	0.005
Registered	7.0%	0.107
Insured	2.3%	0.035
Certified	17.9%	0.273
COD	20.2%	0.308
Money Orders	52.7%	0.803
System-Wide (From part a.)	65.6%	1.000

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DMA/USPS-T10-2. Please refer to Table 17 on pages 83 and 84 of your testimony.

- (a) Please confirm that Table 17 shows calculations of "After-Rates Prices" in this proceeding based on (1) the R2000-1 Mark-ups (Adjusted), and (2) mark-ups determined using Ramsey pricing principles (constrained as described in your testimony). If you cannot confirm, please explain in detail.
- (b) Please confirm that, at a price based on the R2000-1 Mark-ups (Adjusted), the volume of First-Class Letters would be estimated to be approximately 97.9 billion pieces that would produce revenues of approximately \$38.3 billion. If you cannot confirm, please explain in detail.
- (c) Please confirm that, at a price based on the R2000-1 Mark-ups (Adjusted), the volume of Standard mail would be estimated to be approximately 96.3 billion pieces that would produce revenues of approximately \$18.2 billion. If you cannot confirm, please explain in detail.
- (d) Please confirm that, at a price based on Ramsey principles, the volume of First-Class Letters would be estimated to be approximately 96.9 billion pieces that would produce revenues of approximately \$40.0 billion. If you cannot confirm, please explain in detail.
- (e) Please confirm that, at a price based on Ramsey principles, the volume of Standard mail would be estimated to be approximately 104.0 billion pieces that would produce revenues of approximately \$16.6 billion. If you cannot confirm, please explain in detail.
- (f) Please confirm that, at a price based on Ramsey principles, the volumes of First-Class Letters and Standard mail combined would be estimated to be approximately 6.7 billion pieces greater, producing revenues greater by approximately \$100,000,000, as compared with prices based on the R2000-1 Mark-ups (Adjusted). If you cannot confirm, please explain in detail.

RESPONSE:

a. through f. Confirmed

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DMA/USPS-T10-3. On page 78 of your testimony you discuss judgmental constraints on Ramsey prices. You say, "A second type of constraint imposed on the Ramsey prices is a limit on the mark-up of products with particularly low price elasticities."

(a) Please confirm that First-Class Letters have lower test year own-price elasticity than do Standard Regular or Standard ECR. If you cannot confirm, please explain in detail.

(b) Were any of the prices for First-Class Letters or Standard Regular or Standard ECR shown in your Table 17 the subject of any constraints? If so, please explain in detail and state what such prices would have been in the absence of such constraints.

RESPONSE:

- a. Confirmed
- b. No.

DECLARATION

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

A handwritten signature in cursive script, appearing to read "Peter Bernstein", written over a horizontal line.

(Signed)

11-20-01

(Date)

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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