

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

Docket No. R2001-1

**Major Mailers Association's Third Set Of Interrogatories And Document
Production Requests To USPS Witness Maura Robinson**

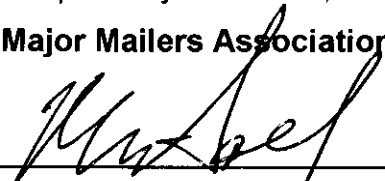
Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association herewith submits the following interrogatories and document production requests to United States Postal Service witness Maura Robinson:

MMA/USPS-T29-18-21 . If the designated witness is unable to answer any of these questions, please direct them to the appropriate witness who can provide a complete response.

Respectfully submitted,

Major Mailers Association

By: _____


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Counsel for
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Dated: Round Hill, VA
December 3, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing discovery request upon the United States Postal Service, the Designated Officer of the Commission, and participants who requested service of all discovery documents, in compliance with the Commission's Rules of Practice.

Dated this 3rd day of December 2001.



Michael W. Hall

**Major Mailers Association's Third Set Of Interrogatories And Document
Production Requests For USPS Witness Maura Robinson**

MMA/USPS-T29-18 Please refer to your response to Part E of Interrogatory MMA/USPS-T29-16 where you were asked to provide the derivation of the percent increase that you propose for workshare mailers. There you compared the unit revenues at proposed and current rates using just the before-rates volume.

A. Please consider the following simplified situation. There is one subclass with two rate elements: category A and category B. The before and after rate volumes, rates and revenues are shown in the table below. There are also two computations for the proposed rates, one using the before rates volumes and the other using the after rates volumes. The first computation, using your method, indicates a rate increase of 25%. The second computation, that incorporates volumes shifts in response to the rates, indicates a rate increase of just 4%. Which is correct? Please explain your answer and why you chose to use before rates volumes allowing you to not confirm that you were proposing a 9.3% increase for workshare letters.

Before Rates

	Volume	Unit Rate	Total Revenue
Category A	100	\$ 0.10	\$ 10.00
Category B	200	\$ 0.25	\$ 50.00
Total	300	\$ 0.2000	\$ 60.00

After Rates

Category A	180	\$ 0.15	\$ 27.00
Category B	115	\$ 0.30	\$ 34.50
Total	295	\$ 0.2085	\$ 61.50

After Rates with Before Rates Volume

Category A	100	\$ 0.15	\$ 15.00
Category B	200	\$ 0.30	\$ 60.00
Total	300	\$ 0.2500	\$ 75.00

Rate Increase using Before Rates Volumes $.25 / .20 - 1$ 25%

Rate Increase Using After Rates Volumes $.2085 / .20 - 1$ 4%

B. Isn't the difference between the 9.2% increase for First-Class workshared letters that you found in your response and the 9.3% increase you were asked to confirm in the interrogatory caused by the fact that your 9.2% computation does not reflect market reaction to your proposed rates and the 9.3% does? Please explain your answer.

MMA/USPS-T29-19 Please refer to your response to Part J of Interrogatory MMA/USPS-T29-16 where you were asked to confirm what would happen to the cost coverage for First-Class workshare letters had you proposed an average of 7.4%, as you propose for First-Class single piece. You answered that you could not do so because you did not know what the after-rates volume would be.

- A. Why couldn't you use the before-rates volume to compute the cost coverage as you did to compute the proposed rate increase in response to Part E of Interrogatory MMA/USPS-T29-16? Please explain your answer.
- B. Why couldn't you use either the before-rates volume or the after rates-volume to compute the cost coverage, using the unit revenue and unit volume variable cost? Please explain your answer.

MMA/USPS-T29-20 Please refer to your response to Part I of Interrogatory MMA/USPS-T29-16 where you claim that the revenue burden for First-Class workshare pieces within the Letters and Sealed Parcels subclass remains approximately the same. You also claim that **any** reduction in your proposed First-Class workshare rates beyond those proposed in your testimony would result in a reduction in the workshare letters revenue burden.

- A. Was it your goal to keep this revenue burden for workshare letters approximately the same? Please explain your answer.
- B. Please confirm that by using your method for computing the First-Class revenue burden under your proposed rates, you do not anticipate volume reactions to your proposed rate increases for either First-Class single piece or workshare mail. If you cannot confirm, please explain how your methodology of using just before rates volumes anticipates volume reactions to your proposed rate increases.
- C. Please confirm the following, or, if you cannot confirm, explain why not:
 - 1. that using your method for computing the First-Class revenue burden under your proposed rates, the intra-subclass revenue shift is \$154 million, to the detriment of workshare letters.
 - 2. that had you used before and after rates to compute the shift in workshare mail's revenue burden, this shift increases to \$367 million. These computations are shown in the table below.

Computation of Workshare Revenue Burden Shift
(000's)

Current Rates with Before Rates Volume

	<u>Total Revenue</u>	<u>% of Volume</u>
Single Piece	\$ 20,619,369	58.55%
Workshare	\$ 14,597,501	41.45%
Total	\$ 35,216,870	100.00%

Proposed Rates with Before Rates Volume

Single Piece	\$ 22,139,109	58.14%
Workshare	\$ 15,936,789	41.86%
Total	\$ 38,075,898	100.00%

Proposed Rates with After Rates Volume

Single Piece	\$ 21,661,130	57.57%
Workshare	\$ 15,961,755	42.43%
Total	\$ 37,622,885	100.00%

Revenue Burden Change Using Before Rates Volumes
 $(41.86\% - 41.45\%) \times 38,075,898$ \$ 154,212

Revenue Burden Change Using After Rates Volumes
 $(42.43\% - 41.45\%) \times 37,622,885$ \$ 366,953

Source: USPS-T29, Attachment D, page 1

3. that you could have recommended workshare rates that would have produced lower revenues, of up to \$154 million, and the rates would not have resulted in a reduction in the workshare letters revenue burden.
 4. that by anticipating volume reactions to prices increases (i.e. by using after rates volumes), you could have recommended workshare rates that would have produced lower revenues, of up to \$367 million, and the rates would not have resulted in a reduction in the workshare letters revenue burden.
- D. Please explain how it is possible to increase single piece letters by 7.4% and to increase workshare letters by 9.2%, but not to increase the workshare intra-subclass revenue burden.
- E. Please confirm that all First-Class mail received a 2-cent additional-ounce rate increase in July 2001, but that only workshare mail received a .2-cent additional first ounce rate as well. Please explain how, if at all, this disproportionate rate increase was factored into your decision to raise the workshare intra-subclass revenue burden even further in this case.

MMA/USPS-T29-21 Please refer to your response to Interrogatory Part L of Interrogatory MMA/USPS-T29-16 where you appear to have misunderstood the question. You were asked to confirm that, in spite of your stated concern for the high implicit cost coverage for workshare letters, you still propose to increase it further. Your answer compared your proposed implicit cost coverage to the before rates cost coverage.

- A. Please compare your proposed cost coverage (that you confirmed in response to Part H of Interrogatory MMA/USPST29-16) to the cost coverage recommended by the Commission in Docket No. R2000-1 (that you confirmed in response to Part G of Interrogatory MMA/USPS-T29-16). Please confirm that, notwithstanding your stated concern for the high implicit cost coverage for workshare letters, you are proposing to increase the implicit cost coverage for workshare letters even further in this case. If you cannot confirm, please explain.