

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
TO INTERROGATORIES OF
UNITED PARCEL SERVICE
(UPS/USPS-T28-21 AND 31)

The United States Postal Service hereby provides the responses of witness Moeller to the following interrogatories of United Parcel Service: UPS/USPS-T28-21 and 31, filed on November 19, 2001.

Each interrogatory is stated verbatim and is followed by the response.

UPS/USPS-T28-22, 23, 27 and 28 have been redirected to witness Kiefer for response.

UPS/USPS-T28-24 through 26 have been redirected to witness Kingsley for response.

UPS/USPS-T28-29, 30 and 32 have been redirected to the Postal Service for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

December 3, 2001

Michael T. Tidwell

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.

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
December 3, 2001

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T28-21. Refer to your testimony, USPS-T-28, Exhibit USPS-28B, and your response to POIR No. 2, Question 6, Attachment, page 3 of 8.

(a) Confirm that the average TYAR revenue per piece for Priority Mail under the Postal Service's proposed rates is \$5.26 per piece. If not confirmed, explain in detail.

(b) Confirm that the average TYAR volume variable cost per piece for Priority Mail under the Postal Service's proposed rates is \$3.03 per piece (\$3,567,994,000/1,178,757,000 pieces). If not confirmed, explain in detail.

(c) Confirm that the average TYAR contribution per piece to institutional costs for Priority Mail under the Postal Service's proposed rates is \$2.23 per piece.

(d) Refer to USPS-T-33, Attachment B. Confirm that the average TYAR contribution per piece to institutional costs for Parcel Post under the Postal Service's proposed rates is 44 cents per piece (\$3.24 minus \$2.80). If not confirmed, explain in detail.

(e) Confirm that the average contribution per piece to institutional costs for Priority Mail is significantly higher than that for Parcel Post. If not confirmed, explain in detail.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.
- e. \$2.23 is higher than \$0.44.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T28-31. Provide any analysis in support of the pricing of Parcel Post DDU destination entry, in particular focusing on maximizing total subclass contribution to institutional costs. If such an analysis has not been performed, explain why not.

(a) Explain in detail why the contribution per piece for Parcel Post DDU destination entry pieces should not be equal to or close to that of Priority Mail pieces.

RESPONSE:

I am informed that all of the analysis supporting the pricing of Parcel Post DDU entry mail is provided in witness Kiefer's testimony and workpapers. To my knowledge, no additional studies or analyses that focus on Parcel Post DDU pricing exist, particularly no analyses or studies that focus on maximizing subclass contribution. Parcel Post pricing is designed to meet a specific cost coverage that is described in my testimony. Since all of the proposed cost coverages, in combination, are intended to result in breakeven in the test year, none of them can be viewed as an attempt to "maximize contribution."

(a) The average contribution per piece in any subclass of mail is a direct result of the cost coverage proposed for that subclass. My testimony describes the cost coverages for Parcel Post and Priority Mail, which are based on a variety of factors and considerations. Parcel Post and Priority Mail are different subclasses and therefore warrant distinct consideration of the pricing criteria. Within the particular subclasses, the respective pricing witnesses design the rates to meet the pricing objectives for those subclasses. The contribution per piece for various rate categories within a subclass is affected by the rate design. Therefore, two rate categories in different subclasses will not necessarily match contribution per piece since the assigned cost coverage may differ for the two subclasses, and the rate design of a respective subclasses will be developed in a manner that meets the pricing objectives of that subclass.