

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 THRESS
TO NAA INTERROGATORIES NAA -T8-6 - 8
(December 10, 2001)

The United States Postal Service hereby provides the response of witness Thress to the following interrogatories of NAA: NAA/USPS-T8-6 - 8, filed on November 26, 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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December 10, 2001

RESPONSE OF POSTAL SERVICE WITNESS THRESS TO
NAA INTERROGATORIES

NAA/USPS-T8-6. Please refer to your response to NAA/USPS-T8-1. If, as you say, consumers' use of the Internet in general "may" be indicative of the extent to which they use it as a substitute for mail, and consumer expenditures on Internet access is "a" measure of their use of the Internet, why can you be sure that consumer expenditures on Internet access in fact "reflects the extent" to which consumers use the Internet as a substitute for mail?

RESPONSE:

In attempting to model the demand for First-Class Mail volume, I developed and investigated a number of hypotheses regarding the effect of various things on mail volume. One such hypothesis was that a measure of consumption expenditures on Internet Service Providers might help to quantify the extent to which the Internet has diverted First-Class Mail volume over time. This hypothesis was summarized in my response to NAA/USPS-T8-1, when I opined that "[t]he extent to which consumers use the Internet in general may be indicative of the extent to which consumers use the Internet as a substitute for First-Class Mail."

I tested this hypothesis by introducing consumption expenditures on Internet Service Providers into the single-piece First-Class letters and private First-Class cards equations. The magnitude and significance of this variable in these equations was consistent with my hypothesis. Hence, I concluded that my hypothesis was correct, and that consumption expenditures on Internet Service Providers "reflects the extent to which consumers use the Internet as a substitute for First-Class Mail."

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NAA/USPS-T8-7. Please refer to your response to NAA/USPS-T8-4. The question asked whether your testimony takes into account the prices charged by shared mailers to advertisers that participate in a shared mailing. Your answer is couched in terms of the size and number of advertisers within a shared mailing. Please answer the interrogatory as posed: that is, does your testimony take into account, in any way, the prices charged by Standard ECR shared mailers to the advertisers that participate in those shared mailings.

RESPONSE:

I fail to see how my answer to NAA/USPS-T8-4 failed in any way to answer the question that was asked. To reiterate my answer: No, my testimony does not take into account, in any way, the prices charged by Standard ECR shared mailers to the advertisers that participate in those shared mailings. Please see my answer to NAA/USPS-T8-8 for a further explanation.

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NAA/USPS-T8-8. Is it your testimony that the price charged to advertisers by ECR mailers is not relevant when one is estimating the volume of ECR mail? Please explain any answer that is not entirely in the affirmative.

RESPONSE:

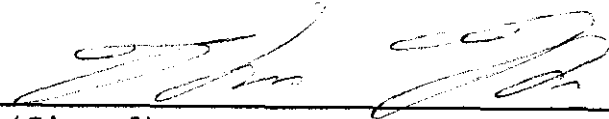
Yes. My testimony attempts to model the demand for Standard Enhanced Carrier Route mail volume. Hence, my testimony focuses exclusively on the demand of mailers and potential mailers of Standard ECR mail. The costs faced by Standard ECR mailers (as well as potential ECR mailers), such as the price of postage, directly affect the demand for Standard ECR mail. In some cases, such costs may be passed on to others, such as through the prices charged by shared mailers.

The specific means by which and extent to which these costs can and are passed on will affect the price elasticity of Standard ECR (and potential ECR) mailers. This effect is properly reflected in my work.

As I explained in my earlier response to NAA/USPS-T8-4, however, neither the prices charged by ECR shared mailers nor the ultimate number of advertisers within a particular shared mailing have any direct bearing on the volume of Standard ECR mail, which is the focus of my testimony.

DECLARATION

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



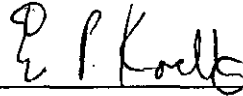
(Signed)

12-7-01

(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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