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POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF
PRESORT MAILERS JOINT INTERROGATORIES AND REQUEST FOR
PRODUCTION OF DOCUMENTS TO AMERICAN POSTAL WORKERS UNION
(APWU) WITNESS MICHAEL RILEY (APWU-T-9-16)

(February 7, 2002)

Pursuant to Sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the American Bankers Association and the National Association of Presort Mailers hereby submit these joint interrogatories and requests for production of documents. If the witness to whom an interrogatory is directed is unable to answer the interrogatory or produce the requested documents and another person is able to do so, the interrogatory or request should be referred to such person.

If data requested are not available in the exact format or level of detail requested, any data available in (1) substantially similar format or level of detail or (2) susceptible to being converted to the requested format and detail should be provided.

Responses to requests for explanations or the derivation of numbers should be accompanied by workpapers. The terms "workpapers" shall include all backup material whether prepared manually, mechanically or electronically, and without consideration to the type of paper used. Such workpapers should, if necessary, be prepared as part of the witness's responses and should "show what the numbers were, what numbers were added to other numbers to achieve a final result." The witness should "prepare sufficient

workpapers so that it is possible for a third party to understand how he took data from a primary source and developed that data to achieve his final results." Docket No. R83-1, Tr. 10/2795-96.

ABA & NAPM/APWU-T1-9 - Please confirm that the United States Postal Service is not by statute a for – profit organization, that it does not issue or trade stock in itself in any equities market, and that it does not submit to the SEC or other bodies the types of information required of for-profit corporations.

ABA & NAPM/APWU-T1-10

- a. Please confirm that Title 39, section 3621, of the U.S.C. states: "Postal rates and fees shall provide sufficient revenues so that the total estimated income and appropriations to the Postal Service will equal as nearly as practicable total estimated costs of the Postal Service."
- b. As a not for profit organization subject to a "break-even" legal mandate, and in light of the fact that worksharing arrangements apply to well over two thirds of the entire mail volume of the Service please confirm that there is no justification whatsoever for the Postal Service to earn a profit on its worksharing arrangements, i.e. by setting discounts at anything less than correctly estimated avoided costs.

ABA & NAPM/APWU-T1-11 - Assume for the purposes of this interrogatory that fully loaded labor costs for (non-union) mail processing clerks in private sector automated mail processing facilities are \$15 per hour while the (unionized) mail processing clerks in the Postal Service have fully loaded costs of \$31 per hour. Further, assume equal capital and facility costs, as well as borrowing costs, as between the Postal Service and private sector mail processing plants. If mail processing were an "unbundled" postal service priced directly, rather than indirectly through the "avoided cost and discounts" rate regulation concept, please confirm the following.

- a. USPS plants in a free and open market would either have to cut labor costs to compete, or would have to be subsidized by other postal services to compete with the private sector.
- b. Other than for captive collection mail, USPS would have difficulty competing in this market at all if union wage rates prevailed.
- c. The "dire financial straights" of the Postal Service you refer to would be reduced by sending collection mail to the private sector to be processed at lower cost than by having it processed at the higher cost, union shops within USPS.

ABA & NAPM/APWU-T1-12 - In the “for profit” environment that underpins much of your testimony, please answer the following questions.

- a. Please cite any economics textbook or academic economic research article which claims efficient pricing across products in a multi-product organization can be achieved by a uniform absolute-dollar mark-up above the direct costs of all such products.
- b. In marginal cost analysis please explain your understanding of how profit maximization could, if at all, be achieved within a multi-product firm using the mark-up principle you advocate in your testimony.

ABA & NAPM/APWU-T1-13 - On page 6, line 22, you assert that your prices are “in the public interest”.

- a. By “public interest” do you mean labor union interests?
- b. If your answer to a. is anything other than an unqualified yes, please explain exactly what economic principle of pricing you are proposing that generates prices that are in the “public interest”.

ABA & NAPM/APWU-T1-14

- a. Please confirm that since postal reorganization in the 1970s, the level of Congressional appropriations for USPS has trended downward substantially while the percentage of total revenues for the Service generated by products and rates has increased.
- b. Please produce a table stating the operating revenue and operating costs of the USPS for each year since re-organization in support of your assertion on page 7, lines 23-24, that the USPS has never achieved a cumulative break even.

ABA & NAPM/APWU-T1-15 - You state on page 9: “I urge the Rate Commission, whenever it has a range of choices, to pick the one that will generate the most revenue for the Postal Service.”

- a. Why do you think regulation of postal rates exists in the institution of the Postal Rate Commission?
- b. Does such regulation exist to set the highest rates possible that the American public will swallow?
- c. What are the antitrust implications of your statement, if indeed the rate Commission followed it?

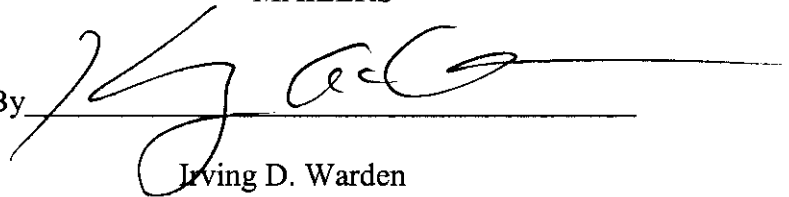
ABA & NAPM/APWU-T1-16 - You state on page 11 of your testimony that as a result of your proposed rates, "the Postal Service will have more mail to process and more revenue with which to do it."

- a. Please confirm that such an outcome would be to the direct benefit of the postal labor union you are representing in this case.
- b. Please confirm that such an outcome would be to the direct detriment of the hundreds of private sector mail processing facilities with which over the past two and a half decades the USPS has worked out various worksharing arrangements.

Respectfully submitted,

AMERICAN BANKERS ASSOCIATION
NATIONAL ASSOCIATION OF PRESORT
MAILERS

By



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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.


Henry A. Hart

February 7, 2002