

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

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POSTAL RATE AND FEE CHANGES, 2001 : Docket No. R2001-1
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MOTION OF THE UNITED STATES POSTAL SERVICE
FOR ADDITIONAL DESIGNATION OF
WRITTEN CROSS-EXAMINATION

Yesterday, in response to a ruling by the Presiding Officer on February 14, 2002 (Tr. 12/4931), the American Postal Workers' Union filed what -- in substance, if not in form -- constitutes the supplemental response of APWU witness Riley to interrogatory USPS/APWU-T1-7(d). The Postal Service hereby moves that it be permitted to designate this supplemental response for inclusion in the evidentiary record.

The original USPS/APWU-T1-7 interrogatory and response appear at Tr. 12/4896. Ideally, the supplemental response would have been filed in such a manner as to combine the entire question and the complete supplemental response into one integrated document. This would have permitted the Postal Service to efficiently submit the requisite number of integrated copies to the Commission for inclusion in the next volume of the transcript as additional designated written-cross-examination.

As an alternative to a motion requesting that APWU properly format its supplemental response for that purpose, the Postal Service has undertaken to perform that task by creating a document combining the original USPS/APWU-T1-7 interrogatory and response, as well as the chart filed yesterday, into an integrated, supplemental response to USPS/APWU-T1-7. See attached.

The Postal Service hereby provides two copies of that combined supplemental response to USPS/APWU-T1-7 as its additional designated written cross-examination

and moves that this combined supplemental response be admitted into the evidentiary record at the next appropriate opportunity. To make matters even more efficient, the Postal Service also moves that APWU be excused from submitting a declaration from witness Riley attesting to the substance combined supplemental response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

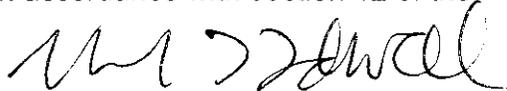


Michael T. Tidwell

February 20, 2002

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
mtidwell@email.usps.gov
Tel: (202) 268-2998/ Fax: -5402
February 20, 2002

**SUPPLEMENTAL RESPONSE OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO WITNESS RILEY
TO INTERROGATORY OF UNITED STATES POSTAL SERVICE**

Revised: 2/19/2001

USPS/APWU-T1-7

Please refer to page 19 of your testimony (line 6) where you state that: "[t]he added single piece volume from any decrease in discounts is likely to be extremely small." You support this claim with a citation to Postal Service witness Thress's testimony (USPS-T-8 at 22) where he states that "[i]n the aggregate, workshared First-Class letters volume is virtually unaffected by Postal rates."

- (a) Please confirm that the aggregate rate elasticity cited by witness Thress (-0.028) refers to the price impact on postal volume assuming all postal rates (including worksharing rates, single-piece rates, and worksharing discounts) are changed equally or approximately equally. If you cannot confirm, please supply your understanding of the interpretation of this elasticity.
- (b) Please confirm that you propose different rate changes for discounted and non-discounted First-Class letters, and worksharing discounts that decrease at the same time that worksharing rates would be increasing. If you cannot confirm, please explain fully.
- (c) Have you or any person working in consultation with you or under your direction in relation to Docket No. R2001-1 made any effort to estimate test year volumes at the rates that you have proposed? If so, please provide the results of such analysis and all underlying workpapers.
- (d) In comparison to current First-Class Mail rates, please state the percentage rate change that you are proposing for each First-Class Mail rate category or rate element.

RESPONSE

- (a) Witnesses Tolley and Thress find very small price elasticities and cross-elasticities. This means that the overall volume change and the volume that will switch from discounted mail to single piece will be very small.
- (b) Confirmed.
- (c) No.

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Revised: 2/19/2001

RESPONSE TO USPS/APWU-T1-7 (CONTINUED):

- (d) I am not proposing that the Commission set rates by looking at the percentage change in any rate category. However, over the last ten years, the percentage increase in discounted rates has been significantly less than the percentage increase in single piece rates. If one wants to look at percentage changes in rate categories, the only thing that makes sense is to do so over a long period of time.

Percent Change in Proposed APWU First-Class Mail Rates Compared with Current First-Class Mail Rates					
	Current First-Class Rates (1)	APWU Proposed Rates Based on 80 Percent Pass Through (2)	Percent Change from Current to Proposed Rates, Table I	APWU Proposed Rates Based on 100 Percent Pass Through (2)	Percent Change from Current to Proposed Rates, Table II
Letters and Sealed Parcels					
Regular					
Single-Piece First Ounce	34.0	37.0	8.8%	37.0	8.8%
QBRM	31.0	36.4	17.4%	36.2	16.8%
Nonautomation Presort	32.2	36.4	13.0%	36.2	12.4%
Additional Ounce					
Single Piece	23.0	23.0	0.0%	23.0	0.0%
Presort	23.0	23.0	0.0%	23.0	0.0%
Automation Presort					
Letters					
Mixed AADC Presort	28.0	33.0	17.9%	32.0	14.3%
AADC Presort	28.0	32.3	15.4%	31.1	11.1%
3-Digit Presort	26.9	32.0	19.0%	30.8	14.5%
5-Digit Presort	25.5	31.1	22.0%	29.6	16.1%
Carrier-Route Presort	24.5	31.1	26.9%	29.6	20.8%
Flats					
Mixed ADC Presort	31.2	37.0	18.6%	37.0	18.6%
ADC Presort	31.2	37.0	18.6%	37.0	18.6%
3-Digit Presort	29.7	37.0	24.6%	37.0	24.6%
5-Digit Presort	27.7	31.1	12.3%	30.2	9.0%
Additional Ounce	23.0	23.0	0.0%	23.0	0.0%
Cards					
Regular					
Single-Piece	21.0	23.0	9.5%	23.0	9.5%
Nonautomation Presort	19.0	22.4	17.9%	22.2	16.8%
QBRM	18.0	22.4	24.4%	22.2	23.3%
Automation-Presort					
Mixed AADC Presort	17.4	22.0	26.4%	21.7	24.7%
AADC Presort	17.4	21.6	24.1%	21.2	21.8%
3-Digit Presort	16.8	21.5	28.0%	21.1	25.6%
5-Digit Presort	16.1	21.0	30.4%	20.5	27.3%
Carrier-Route Presort	15.0	21.0	40.0%	20.5	36.7%

(1) Current First-Class Mail Rates are from Table I of Witness Robinson, USPS-T-29

(2) From Table I and Table II, Testimony of Michael Riley, APWU-T-1