

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
TO UNITED PACEL SERVICE WITNESS R. RICHARD GEDDES
(USPS/UPS-T3-1-6) (October 4, 2006)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories to United Parcel Service witness R. Richard Geddes (UPS-T-3):

USPS/UPS-T3-1-6

If witness Geddes is unable to answer a question, or subpart of a question, the Postal Service requests that the interrogatory be redirected to another witness or to United Parcel Service as an institution.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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USPS/UPS-T3-1. Please refer to page 9 of your testimony, lines 12 - 17, as well as footnote 7.

a. Please provide a citation for the quote from Docket No. R94-1 in footnote 7.

b. Please provide specific examples in the past where the Postal Rate Commission has, invoking 39 U.S.C. §3622(b)(5), reduced a markup in order to help the Postal Service “maintain” market share.

c. Please provide specific examples in the past where the Postal Rate Commission has, invoking 39 U.S.C. §3622(b)(5), reduced a markup in order to help the Postal Service “capture” market share.

USPS/UPS-T3-2. Please refer to footnote 9 on page 11 of your testimony, where you assert several reasons why it can be difficult for private sector operators to compete against the Postal Service. Please confirm that there may be countervailing reasons why it can be difficult for the Postal Service to compete against private sector operators. If not confirmed, please explain.

USPS/UPS-T3-3. Please refer to Figure 1 in your testimony.

a. Please confirm that one reason for the upward trend in First-Class Mail’s markup index since Docket No. R84-1 has been an increase in worksharing, which, ceteris paribus, causes the cost coverage to increase. If not confirmed, please explain.

b. If confirmed, do you think it would be appropriate to first control for the increase in worksharing since Docket No. R84-1 before comparing the trend in First-Class Mail’s markup index with that of non-workshared Priority Mail? If not confirmed, please explain.

USPS/UPS-T3-4. Please refer to Table 1 in your testimony.

a. Please confirm that Priority Mail volume declined by 30.5 percent from FY 2000 to FY 2004.

b. Please confirm that in addition to increasing by approximately 5 percent in FY 2005, Priority Mail volume is on track to increase by about the same amount in FY 2006.

c. Do you believe that two consecutive years of approximately 5 percent volume growth — during a time when real GDP has been growing by 3 to 4 percent — constitutes “recovery” from the 30.5 percent volume decline, from 2000 to 2004? In answering, please refer to your assertion at page 17, lines 8 - 10 that “[t]hese recent volume

improvements indicate that whatever Priority Mail's perceived service performance may be, it has a sufficiently high value that its volume can recover from a series of unfavorable events and rate increases." When you say "can recover," do you mean that Priority Mail volume has the potential to recover (which has not yet been manifested)?

d. While Priority Mail volume was declining by 30.5 percent, by how much did UPS volume in the total (ground and air, combined) 2- and 3-day package and document delivery market change from 2000 to 2004? Please provide your response both in absolute and percentage terms.

USPS/UPS-T3-5. Please refer to your testimony at page 17, lines 8 - 10, specifically the reference to volume recovering from "a series of unfavorable events and rate increases." Do you believe that Priority Mail's volume decline since 2000 is only due to unfavorable events and rate increases, and not possibly also to some more permanent and systemic factors that have potentially reduced the product's long-term competitiveness? Please explain fully.

USPS/UPS-T3-6. Please refer to page 21 of your testimony, line 4. Why do you recommend the very same markup for Priority Mail, 63 percent, as proposed by the Postal Service in USPS-T-31, considering that you use a different cost basis for that markup (based on the Postal Rate Commission's cost attribution methodology) than the Postal Service? Please explain fully.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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