

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
VALPAK WITNESS MITCHELL
(USPS/VP-T3-1 - 2)

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 Valpak witness Mitchell: USPS/VP-T3-1 - 2.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Eric P. Koetting

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October 4, 2006

USPS/VP-T3-1. Please refer to pages 9-11 of your testimony. There you indicate that Ramsey Pricing does not automatically ensure that prices are free of cross-subsidization. You also state that the “argument that cross subsidies are bad and should be avoided is a fairness argument, not an economic one,” and that “[n]othing in notions relating to the efficiency of resource allocation argue that cross subsidies are bad or explain how to avoid them.” VP-T-3 at 10-11. Please refer to the previous testimony of Prof. Panzar on this subject, USPS-T-11 at 8-12 (Docket No. R97-1), where he concludes (pg. 11) that “in addition to their intuitive fairness properties, there are important efficiency reasons for the Postal Service to attempt to set rates that are free of cross-subsidy.” Please discuss why or why not his testimony is inconsistent with your assertions as quoted above.

USPS/VP-T3-2. Your testimony (e.g., page 11, lines 15-18) appears to be premised on the presumption that the Postal Service’s operational treatment of saturation letters is caused by the presence of saturation flats. Please confirm that your fairness concerns do not apply if the policy of maximizing DPS processing of saturation letters were independent of the existence of saturation flats. If not confirmed, 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.

Eric P. Koetting

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