

DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-4

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE OFFICE OF THE CONSUMER ADVOCATE WITNESS SHERMAN
(USPS/OCA-T300-1-9)


Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Office of the Consumer Advocate witness Sherman: USPS/OCA-T300-1-9.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

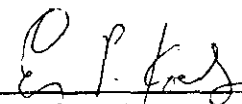


Eric P. Koetting

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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Washington, D.C. 20260-1137
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January 13, 1998


Eric P. Koetting

Postal Service Interrogatories for OCA Witness Sherman

USPS/OCA-T300-1. Please confirm that Table 3 on page 21 of your testimony shows that limiting the Ramsey price of Periodicals Regular mail (i.e., imposing the "too high" constraint) has the effect of moving the constrained Ramsey prices of Periodicals In-County, Periodicals Nonprofit, and Periodicals Classroom Rate mail closer to their unconstrained Ramsey prices. If you cannot confirm, please explain fully.

USPS/OCA-T300-2. Please refer to Table 3 at page 21 of your testimony.

- a. Please confirm that the Model (3) Ramsey average revenues for Periodicals In-County, Nonprofit, and Classroom Rate mail are 0.1928, 0.3281, and 0.5759, respectively. If you cannot confirm, please give the correct figures.
- b. Please confirm that the Model (4) Ramsey average revenues for Periodicals In-County, Nonprofit, and Classroom Rate mail are 0.1416, 0.2409, and 0.4229, respectively. If you cannot confirm, please give the correct figures.

USPS/OCA-T300-3. Please refer to Table 5 at page at page 34 of your testimony.

- a. Please confirm that the Model (3) Ramsey contributions from Periodicals In-County, Nonprofit, and Classroom Rate mail are \$61.874 million, \$319.668 million, and \$4.630 million. If you cannot confirm, please give the correct figures.
- b. Please confirm that the Model (4) Ramsey contributions from Periodicals In-County, Nonprofit, and Classroom Rate mail are \$70.317 million, \$374.470 million, and \$4.931 million. If you cannot confirm, please give the correct figures.
- c. Please explain how it is possible for the Model (4) Ramsey contributions from Periodicals In-County, Nonprofit, and Classroom Rate mail to be greater than the Model (3) Ramsey contributions from these mail subclasses, when Table 3 shows that the Model (4) average revenues of each these mail subclasses is less than their Model (3) average revenues.

Postal Service Interrogatories for OCA Witness Sherman

USPS/OCA-T300-4.

- a. Please confirm that if the pricing criteria of the Act, such as educational, cultural, scientific, and informational (ECSI) considerations, are interpreted to require that the mark-up on Periodicals Regular mail should be less than its Ramsey mark-up, then the most efficient way of recouping the lost contribution from Periodicals Regular mail is from relatively larger increases in the prices of less elastic mail (e.g., First-Class letters) and relatively smaller increases in the more elastic mail (e.g., Standard A Enhanced Carrier Route mail). If you cannot confirm, please explain fully.
- b. Please confirm that for any given amount of reduced contribution from Periodicals Regular mail (relative to its unconstrained Ramsey contribution) based on the pricing criteria of the Act, a constrained Ramsey model should indicate the most efficient way to spread that required contribution increase over the other classes and subclasses. If you cannot confirm, please explain fully.

USPS/OCA-T300-5. Please confirm that if the unconstrained Ramsey price of a mail product is below the product's average incremental cost, then pricing the product at its average incremental cost is more efficient than pricing the product above its average incremental cost. If you cannot confirm, please explain fully.

USPS/OCA-T300-6. Please confirm that Ramsey pricing of single-piece and workshared letters cannot be less efficient (in terms of total consumer and producer surplus) than imposition of the efficient component pricing rule in which the discount for workshared letters is set equal to the cost difference between single-piece and workshared letters. If you cannot confirm, please explain fully.

USPS/OCA-T300-7. Please confirm that price elasticities of demand are important to the efficient pricing of single-piece and workshared letters, and to the establishment of the efficient discount for workshared letter mail. If you cannot confirm, please explain fully.

USPS/OCA-T300-8.

- a. If there exist two mail categories, A and B, and the volume of each category does not depend on the price of the other or on the price difference between the two mail categories, then please confirm that there is no cross-price or discount elasticity between these two products. If you cannot confirm, please explain fully.

Postal Service Interrogatories for OCA Witness Sherman

b. Please confirm that if there are no cross-price or discount elasticities between two mail categories, then the efficient prices of these mail categories should be based on their own-price elasticities and own marginal costs, and not on the cost difference between the two mail categories. If you cannot confirm, please explain fully.

USPS/OCA-T300-9. Have you performed any independent econometric analysis of the price elasticities of First-Class single-piece letters or First-Class workshared letters? If so, please provide a brief summary, and the statistical results of that analysis.