

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

MAIL PROCESSING NETWORK RATIONALIZATION)
SERVICE CHANGES, 2012) Docket No. N2012-1
)

**UNITED STATES POSTAL SERVICE INTERROGATORIES TO NATIONAL
ASSOCIATION OF LETTER CARRIERS, AFL-CIO, WITNESS CREW, NALC-T-1
USPS/NALC-T1—20-24**

Pursuant to Rules 25 through 27 of the Postal Regulatory Commission's Rules of Practice and Procedure, the Postal Service respectfully submits the following interrogatories and requests for production to NALC witness Crew: USPS/NALC-T1-20-24. Please refer to and apply the Instructions and Definitions attached to the initial set of interrogatories the Postal Service directed to witness Crew.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Kevin Calamoneri
Managing Counsel
Corporate and Postal Business Law

Daniel J. Foucheaux
Chief Counsel, Pricing & Product Support

Kenneth N. Hollies
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083; Fax -3084
May 23, 2012

NALC/USPS-T1-20. At page 19, line 17 to page 20, line 2 you state:

It is true that the costs of the peak could be reduced or eliminated if peak capacity were reduced, leaving peak demand unmet. However, this is a misguided approach, because almost always the benefits to the customer lost by not meeting peak demand would exceed the costs saved by reducing capacity.

Please explain fully the basis for this statement. Please provide any studies or other authoritative sources upon which you rely to support this statement.

NALC/USPS-T1-21. On page 20, you provide an example of the consequences of “not meeting peak demand.” Please explain how this example relates to postal services and, in particular, how it relates to the Postal Service proposal in this docket regarding service standard revisions. How, if at all, are the consequences of “not meeting peak demand” in electricity “by disconnecting customers” analogous to the proposal by the Postal Service in this proceeding?

NALC/USPS-T1-22. On pages 23 and 25 you variously cite to an article authored by Filipa Silva entitled “Priority and Non-Priority Service: Returning to the Origins,” apparently in a volume you and your partner edit, published either in 2011 or in 2012. Please provide a copy of the cited article.

NALC/USPS-T1-23. Is it your view that **any** decrease in the quality of service provided by the Postal Service would create “serious danger of irreparable damage to mail service and to the enterprise” (NALC-T-1 at 3)? If your response is anything other than an unqualified “yes”, please explain what criteria must be met if lesser damage to (a) service, or (b) to the enterprise, would, in your opinion, follow.

NALC/USPS-T1-24. At page 21, lines 5 to 12 you state:

Although cited by Mr. Smith, my work with Paul Kleindorfer on the peak load issue, far from supporting USPS’s approach of reducing capacity, shows that the peak load problem is solved by differentiated pricing. In particular, the vast body of economic literature on the subject shows that the peak load problem is solved by raising the price of the product driving the peak and lowering the price of the off-peak product.

- a. Please describe your proposed use of differentiated pricing to solve the peak load problem witness Smith identifies.
- b. If not already included in your response to part (a), please explain your understanding of how the price cap (NALC-T-1 at 22) applicable to First-Class Mail would impact your proposed differential pricing solution.