

ORIGINAL

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS LYONS TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-1-4)

The United States Postal Service hereby provides responses of witness Lyons to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T1-1-4, filed on June 24, 1996.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking

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July 8, 1996

POSTAL RATE COMMISSION
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OFFICE OF THE SECRETARY

RESPONSE OF WITNESS LYONS TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-1. Refer to page 2, lines 1 - 3, of your testimony where it states the "proposals are designed to place the services and products on a more economically rational, businesslike basis." Please explain how the exclusion of collect on delivery (COD) and money orders from the Request supports this goal, given that the rates for COD and money orders are below attributable costs in the test year (see Exhibit USPS-T-5J at pages 23 and 24.)

RESPONSE:

The decisions not to propose changes for money orders or COD service at this time are unrelated to the economic and business merits of the proposals that have been made for other special services. The Postal Service selected a limited number of special services for review in this proceeding. Resource constraints and timing considerations contributed to this determination.

Although pricing for money orders and COD service was not considered at this time, the Postal Service would likely review pricing of money orders and COD service, as well as all other products, in advance of the next omnibus rate proceeding. For money orders, this review would include addition of revenues resulting from money order float, and money orders taken into revenue, which would be expected to push the cost coverage for money orders above 100 percent. For the FY 1995 money order cost coverage, with revenues including float and money orders taken into revenue, see Exhibit USPS-T-5C at 16.

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OCA/USPS-T1-2. Refer to page 2, lines 5-8, of your testimony where it states "pricing reform objectives include...more equitable contributions from the services to institutional costs." Please explain how the exclusion of COD and money orders from the Request is consistent with obtaining more equitable contributions to institutional costs for special services.

RESPONSE:

See response to OCA/USPS-T1-1.

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OCA/USPS-T1-3. Refer to page 2, lines 5 - 8, of your testimony. What pricing criteria of the Postal Reorganization Act justify the test year cost coverage of 95 percent and 86.6 percent for COD and money orders, respectively?

RESPONSE:

See response to OCA/USPS-T1-1.

RESPONSE OF WITNESS LYONS TO INTERROGATORIES OF
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OCA/USPS-T1-4. Refer to page 3, lines 6 - 9, of your testimony. Please explain how the exclusion of COD and money orders from the Request will help moderate future rate increases for these special services.

RESPONSE:

See response to OCA/USPS-T1-1.

DECLARATION

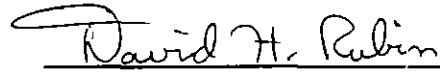
I, W. Ashley Lyons, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

W. Ashley Lyons

Dated: July 8, 1996

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.



David H. Rubin

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