

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 NEEDHAM TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T8-1-2(C), 2(E)-7(B))

The United States Postal Service hereby provides responses of witness Needham to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T8-1-2(c), 2(e)-7(b), filed on July 1, 1996. Interrogatories OCA/USPS-T8-2(d) and 7(c) were redirected to witness Lyons.

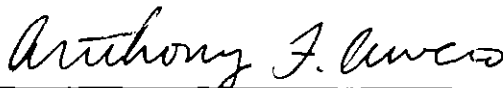
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 15, 1996



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OCA/USPS-T8-1. Please refer to page 58, lines 9-15, of your testimony. The proposed increase in the fee for the combined certified mail/return receipt service appears to increase the cost coverage of this combined special service from 205.5 percent to 274.3 percent. Exhibits USPS-T-5J at 23 and USPS-T-5G at 23. Is this correct? Please explain.

OCA/USPS-T8-1 RESPONSE:

No. First, please note that the cost coverages in Exhibits USPS-T-5J and USPS-T-5G were the subject of revisions filed on July 1, 1996. See Notice of United States Postal Service Concerning the Filing of Errata to the Exhibits of Witness Patelunas. Second, the combined cost coverage in the interrogatory for certified mail/return receipt, even if corrected in accordance with the errata filed on July 1, is incorrect, since return receipt costs are not included in the denominator of the fraction from which the cost coverage is derived in those exhibits. Finally, I question whether a combined cost coverage using the total costs and revenues for return receipt and certified mail is meaningful. Return receipt is a separate special service, distinct from certified mail, and used in conjunction with a variety of services. To combine the cost coverages for these two products would erroneously imply that total return receipt costs and revenues are associated with certified mail, when in fact they are not.

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OCA/USPS-T8-2. The June edition of the Postal Service publication "Memo to Mailers" at p.1 contains the following quotation from John Ward:

Our goal is to realign these services to better reflect customer demand and Postal Service costs while helping to keep postage rates stable longer.

- a. With regard to the increase in the cost coverage for certified mail, will the Postal Service implement service changes to enhance the quality of certified mail for postal customers? Please explain any service changes to be implemented and provide documentary support.
- b. Please explain how increasing the cost coverage of the combined certified mail/return receipt service from 205.5 percent to 274.3 percent better reflects customer demand.
- c. Please explain how increasing the cost coverage of the combined certified mail/return receipt service from 205.5 percent to 274.3 percent better reflects Postal Service costs.
- d. Please explain how raising fees helps keep postage rates stable for certified mail.
- e. Please explain how raising the fee for the combined certified mail/return receipt service, having one of the highest relative cost coverages, is appropriate, given that there are no proposed fee increases for special services with significantly lower cost coverages, such as COD and money orders.

OCA/USPS-T8-2 RESPONSE:

- a) The proposed 146 percent cost coverage for certified mail does not reflect new, proposed service changes for certified mail, and I am not aware of any planned changes underway to improve this service. It is my understanding, however, that the Postal Service has recently implemented changes to certified mail to enhance its quality. Specifically, the Postal Service has added a "print name" block on all

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accountable mail signature forms and a new tag on the certified mail label. The "print name" block requests, in addition to the recipient's signature, the recipient's printed name, which is particularly useful if the recipient's signature is illegible. The certified mail label also now includes a fluorescent tag so that carrier sequence and delivery barcode sorters can identify certified mail during automated processing. This measure enables certified mail to receive automated processing while facilitating record accountability in delivery.

b) Please see my response to OCA/USPS-T8-1 noting that the combined cost coverage is incorrect due to the absence of return receipt costs in the denominator and questioning the utility of combining cost coverages for return receipts and certified mail. The increased cost coverages for each of these products better reflect the high value of service that they offer as seen from customer demand. See USPS-T-8 at 69-71, 91.

c) Please see my response to OCA/USPS-T8-1 noting that the combined cost coverage is incorrect due to the absence of return receipt costs in the denominator and questioning the utility of combining cost coverages for return receipts and certified mail. The proposed cost coverages of 146 percent and 171 percent for certified mail and return receipt, respectively, align closer to the systemwide cost coverage recommended in Docket No. R94-1.

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d) Redirected to witness Lyons

e) Please see my response to OCA/USPS-T8-1 noting that the combined cost coverage is incorrect due to the absence of return receipt costs in the denominator and questioning the utility of combining cost coverages for return receipts and certified mail. With respect to the COD and money order cost coverages, please see witness Lyons' response to OCA/USPS-T1-1.

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OCA/USPS-T8-3. Refer to page 67, lines 1-6, of your testimony concerning alternatives to certified mail.

- a. Please explain to what extent a certificate of mailing is a substitute for certified mail.
- b. Please provide the cross-price elasticity of demand for a certificate of mailing and certified mail.

OCA/USPS-T8-3 RESPONSE:

a) A certificate of mailing provides proof that a mailpiece was entered into the postal system on a certain date (DMM S914.2.1). Certified mail labels, which are issued to the sender at the point of acceptance, have an attached receipt with a block to include the date the piece was entered into the postal system. This is the extent a certificate of mailing can be a substitute for certified mail.

By purchasing a certificate of mailing, the sender does not have the capability of proving delivery of a particular piece, since certificate of mailing service does not assign a unique number to each piece for which the service is purchased. Certified mail, however, provides the sender with both accountability and proof of delivery. Certified mail also captures the recipient's attention because a signature is required by the recipient prior to receipt and certified pieces bear unique green labels.

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b) No econometric estimates of cross-price elasticity have been made for these two products.

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OCA/USPS-T8-4. Refer to pages 1-2 of your testimony concerning the proposal for registered mail. Assuming the proposal for registered mail is recommended by the Commission, will the Postal Service implement service changes to enhance the quality of registered mail for postal customers? Please explain any service changes to be implemented and provide documentary support.

OCA/USPS-T8-4 RESPONSE:

Yes. As discussed in my testimony, all registered pieces valued above \$100 will carry postal insurance. This proposed change simplifies the product, thereby reducing retail transaction time, and reduces confusion associated with this product offering. The Postal Service is also in the process of developing the delivery confirmation receipt system, which automates delivery recordkeeping, thereby enabling postal employees to promptly check information on delivery of registered pieces from delivery units. The delivery confirmation receipt system is currently being used in Raleigh, North Carolina, and Atlanta, Georgia, and is expected to be available nationwide in the near future. Recent changes associated with registry also are intended to improve quality. The Postal Service recently combined all individual claims forms into one generic form to simplify the claims process. The Postal Service is also currently contracting with a management consulting firm for recommendations to further automate the claims process and reduce claims processing time. Additionally, as explained in my response to OCA/USPS-T8-2(a), a "print name" block was recently added to all accountable mail signature forms.

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OCA/USPS-T8-5. Refer to pages 27-29 of your testimony concerning the proposal for insured mail. Assuming the proposal for insured mail is recommended by the Commission, will the Postal Service implement service changes to enhance the quality of insured mail for postal customers? Please explain any service changes to be implemented and provide documentary support.

OCA/USPS-T8-5 RESPONSE:

Yes. As explained in my testimony at pages 28-29, the Postal Service is exploring a proposed operational change for handling insured mail that is designed to enhance customer satisfaction and reduce loss of insured mail pieces by increasing accountability of insured pieces in delivery.

The delivery confirmation receipt system, which is described in my response to OCA/USPS-T8-4, will also enable prompt access to insured mail delivery information. In addition, recently implemented changes to accountable mail signature forms and claims processing described in my responses to OCA/USPS-T8-2(a) and OCA/USPS-T8-4 are intended to improve the quality of insured mail.

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OCA/USPS-T8-6. Refer to pages 73-74 of your testimony concerning the proposal for return receipt. Assuming the proposal for return receipt is recommended by the Commission, will the Postal Service implement service changes to enhance the quality of return receipt for postal customers? Please explain any service changes to be implemented and provide documentary support.

OCA/USPS-T8-6 RESPONSE:

Yes. As discussed in my testimony, the Postal Service is proposing that basic return receipt service provide more information than the present basic service offers.

Specifically, basic return receipt service would provide to whom, date, and address delivered (if it differs from the address on the mailpiece) rather than just to whom and date delivered. This address correction feature enhances the quality of this service to return receipt customers, since they will receive address change information or have confidence in the address information that they have.

Additionally, as discussed in my response to OCA/USPS-T8-2(a), the Postal Service recently added a new "print name" block on all accountable mail signature forms. This measure is especially useful to return receipt customers in circumstances in which the recipient's signature is illegible.

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OCA/USPS-T8-7. Refer to page 116 of your testimony concerning the proposal for special delivery.

- a. Please confirm that special delivery has a FY 96 before rates cost coverage of 116.7 percent. Exhibit USPS-T-5G at 24.
- b. Please confirm that special delivery would provide a FY 96 before rates contribution to institutional costs of \$0.4 million. Exhibit USPS-T-5G at 24.
- c. To what extent would the proposal to eliminate special delivery cause the Postal Service to lose this contribution to institutional costs for the FY 96 test year, taking into account workpaper USPS-T-1, WP B. Please provide calculations.

OCA/USPS-T8-7 RESPONSE:

- a) Using Exhibit USPS-T-5G (as revised on July 1, 1996), I can confirm the before rates cost coverage for special delivery would be 116.7 percent. Using Exhibit USPS-T-1C, the cost coverage is 119 percent, due to alternative rounding conventions.
- b) Not confirmed. This figure in Exhibit USPS-T-5G was revised on July 1, 1996. Using the revised exhibit, I can confirm that the before rates contribution to institutional costs would be \$0.3 million.
- c) Redirected to witness Lyons.

DECLARATION

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

Susan W Needham

Dated: July 15, 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.



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