

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-T1-5-10)

The United States Postal Service hereby provides responses of witness Lyons to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T1-5-10, filed on July 3, 1996.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

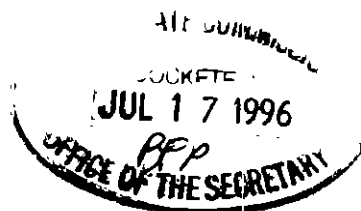
By its attorneys:

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July 17, 1996



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

OCA/USPS-T1-5. Refer to pages 5-7 of your testimony concerning “financial foundations.” What criteria and standards were used to determine whether a rate or fee is suitable for an interim increase? Please provide all documents describing the criteria or standards used to choose which rates and fees are suitable for an interim rate increase.

RESPONSE:

As explained in my response to OCA/USPS-T1-1, the Postal Service selected a limited number of special services for review in this proceeding due to resource constraints and timing considerations. Classification reforms, some of which included fee increases, were determined to be suitable if they supported the filing goals discussed on pages 2 and 3 of my testimony.

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OCA/USPS-T1-6. Refer to page 6, lines 9-11, of your testimony.

- a. Please explain to what extent increases in attributable costs were a factor in the determination of whether to propose an increase in each special service fee.
- b. Please explain to what extent the Commission's recommended cost coverages and/or mark-up indices in Docket No. R94-1 were a consideration in the determination of whether to propose an increase in each special service fee.

RESPONSE:

a. Attributable cost increases were not a major factor in the determination of the proposed reforms for the special services included in this filing. The factors used to determine whether to propose reforms, which include some changes in special service fees, are outlined on pages 2 and 3 of my testimony. Please refer to my response to OCA interrogatory T1-5.

b. The Commission's recommended cost coverages and/or mark-up indices in Docket No. R94-1 were not a major factor in the determination of the proposed reforms for the special services included in this filing. The factors used to determine whether to propose reforms, which include some changes in special service fees, are outlined on pages 2 and 3 of my testimony. Please refer to my response to OCA interrogatory T1-5.

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OCA/USPS-T1-7. Refer to page 6, lines 9-11, of your testimony. Please explain what consideration was given to increasing rates for any of the classes and subclasses of mail, other than special services , “[i]n the interest of mitigating the impact of general increases.”

RESPONSE

Increased rates for any of the classes and subclasses of mail were not considered in preparing this filing.

RESPONSE OF WITNESS LYONS TO INTERROGATORIES OF
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OCA/USPS-T1-8. Refer to page 6, lines 9-11, of your testimony. For each class or subclass of mail where rates in the test year are projected to be below attributable cost, please explain why a rate increase was not proposed.

RESPONSE:

The purpose of this filing is to propose pricing and classification reforms to selected special services. Rate increases to classes and subclasses of mail do not serve this purpose.

RESPONSE OF WITNESS LYONS TO INTERROGATORIES OF
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OCA/USPS-TI-9. Refer to page 6, lines 14-17, of your testimony. Please confirm that the primary consideration in proposing the demand-oriented price adjustment for selected special services was to significantly increase net revenues to the Postal Service. If you do not confirm, please explain the primary consideration motivating the Postal Service to select these special services for increases.

RESPONSE:

Not confirmed. As explained starting at line 2 on page 2 and line 18 on page 3 of my testimony, the primary considerations in proposing those reforms which involve fee increases was "to place the services and products on a more economically rational, businesslike basis" and move towards "more demand-oriented pricing generally".

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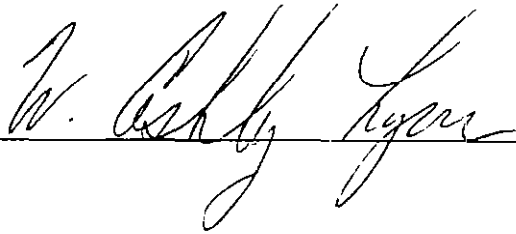
OCA/USPS-T1-10. Refer to page 20 of your testimony concerning cost coverages. Please identify all classes and subclasses that are projected to have a mark-up index for FY 96, before rates, below that recommended by the Commission in Docket R94-1 (Appendix G, Schedule 3, at 2). For each class or subclass whose mark-up index for FY 96 is below the index in Appendix G, please explain why a rate increase is not being proposed for that class or subclass.

RESPONSE:

The purpose of this filing is to propose pricing and classification reforms to selected special services. As a result, rate increases for classes and subclasses have not been proposed, nor have mark-up indexes been developed in order to identify any such classes and subclasses.

DECLARATION

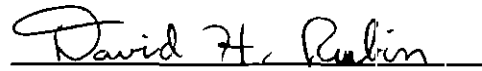
I, W. Ashley Lyons, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Dated: 7-17-96

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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