

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. MC96010001

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS LYONS TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS NEEDHAM
(OCA/USPS-T8-2(D) AND 7(C))

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

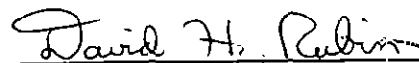
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

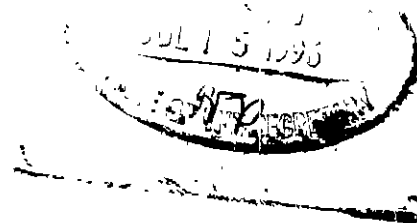
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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July 15, 1996



RESPONSE OF U.S. POSTAL SERVICE WITNESS LYONS
TO INTERROGATORIES OF THE OFFICE OF CONSUMER ADVOCATE
REDIRECTED FROM WITNESS NEEDHAM

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.

* * * * *

d. Please explain how raising fees helps keep postage rates stable for certified mail.

* * * * *

OCA/USPS-T8-2(d) RESPONSE:

First, a point of clarification: fees apply to special services, such as certified mail. The question's apparent suggestion that the proposal to raise the certified mail fee is inconsistent with the objectives of the Postal Service's Request reflects a misunderstanding of the Postal Service's purpose. The quoted statement above is consistent with the financial policy objectives of the Request discussed at page 3 of my testimony. There, I explained that the added revenues and improved contributions from the proposed changes, which include the proposal to increase the certified mail fee, are consistent with overall financial policy objectives, including (1) restoration of equity, (2) the maintenance of most of the current rates and remaining fees (other than those that are under review in this docket) for longer periods of time, and (3) more moderate future rate increases.

RESPONSE OF WITNESS LYONS TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS NEEDHAM

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

- c. To what extent would the proposal to eliminate special delivery cause the Postal Service to lose this contribution to institutional cost for the FY 96 test year, taking into account workpaper USPS-T-1, WP B. Please provide calculations.

RESPONSE:

The proposal to eliminate special delivery would increase contribution by \$6,000, as calculated below, because the volume shifts presented in my workpaper B offset the loss of direct special delivery contribution.

Impact Of Elimination of Special Delivery on Contribution

Class	Test Year Before Rates					
	Pieces 1/ (000)	Revenue per Piece 2/ Cents	Revenue 3/ (\$ 000)	Cost per Piece 4/ Cents	Cost 5/ (\$ 000)	Contribution 6/ (\$ 000)
	(1)	(2)	(3)	(4)	(5)	(6)
Letters Non-Presort	179	38.8	69	26.0	47	23
Priority	14	352.5	49	166.1	23	26
Third Class Single Piece	6	102.1	6	200.9	12	-6
Parcel Post	8	331.9	27	318.5	25	1
<u>Special Delivery Feature</u>	<u>207</u>	<u>1,007.7</u>	<u>2,086</u>	<u>846.9</u>	<u>1,753</u>	<u>333</u>
Total			2,237		1,860	377

Class	Test Year After Rates					
	Pieces (000)	Revenue per Piece 7/ Cents	Revenue (\$ 000)	Cost per Piece 8/ Cents	Cost (\$ 000)	Contribution (\$ 000)
	(000)	Cents	(\$ 000)	Cents	(\$ 000)	(\$ 000)
Letters Non-Presort	90	38.8	35	26.1	23	11
Priority	7	352.5	25	166.1	12	13
Third Class Single Piece	3	102.1	3	200.9	6	-3
Parcel Post	4	331.9	13	318.5	13	1
Express Mail	103	1,286.9	1,326	936.8	965	361
<u>Special Delivery Feature</u>	<u>0</u>		<u>0</u>		<u>0</u>	<u>0</u>
Total	207		1,401		1,019	383

Contribution Gain (in thousands) from Elimination of Special Delivery -----> \$ 6

1/ Special Delivery Transactions before rates distributed to rate category in proportion, as developed in USPS-T-1, WP B.

2/ Exhibit USPS-T-5G, as revised July 1, 1996

3/ Column (1) times Column (2)

4/ Exhibit USPS-T-5G, as revised July 1, 1996

5/ Column (1) times Column (4)

6/ Column (3) - Column(5)

7/ Exhibit USPS-T-5J

8/ Exhibit USPS-T-5J

DECLARATION

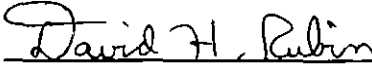
I, W. Ashley Lyons, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

W. Ashley Lyons

Dated: 7-15-96

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 1.2 of the Rules of Practice.



David H. Rubin

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