

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 INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-15) AND PRESIDING OFFICER'S
INFORMATION REQUEST NO. 1, QUESTION 10

The United States Postal Service hereby provides the responses of witness Lyons to the Office of the Consumer Advocate's interrogatory OCA/USPS-T1-15, filed on July 18, 1996, and to Presiding Officer's Information Request No. 1, Question 10, issued on July 12, 1996.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

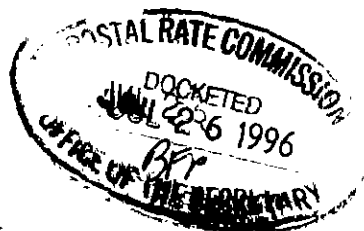
By its attorneys:

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July 26, 1996



RESPONSE OF POSTAL SERVICE WITNESS LYONS TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-15. Please refer to your response to the redirected interrogatory OCA/USPS-T8-7. Taking into account the elimination of special delivery service, the test year after rate (TYAR) volumes are as follows:

<u>Class</u>	<u>TYAR</u> Pieces (000)
Letters Non-Presort	90
Priority	7
Third Class Single Piece	3
Parcel Post	4
Express Mail	103
Special Delivery Feature	<u>0</u>
Total	207

- a. Footnote one of the response refers to Special Delivery Transactions developed in USPS-T-1, WP B. USPS-T-1, WP B, Special Delivery Transactions contains a footnote that refers to USPS-LR-SSR-40. USPS-LR-SSR-40 consists of five computer files. The first line of the computer file "CATMAST" states "TOTAL ALL DATA - THIS REPORT IS ESSENTIALLY OBSOLETE." Please explain why an obsolete file was used to allocate special delivery transactions. In your response, include the rationale for assuming that an obsolete file provides valid data for use in Docket No. MC96-3.
- b. At present, the five files provided in USPS-LR-SSR-40 can only be viewed as a text file. Therefore, it is impossible to determine what data were used to develop the distribution ratios referred to and how those proportions were calculated. Please provide the derivation of the proportions used to calculate the shift of the 207,000 pieces identified in your response to OCA/USPS-T8-7. Your response should include cites to all sources used and copies of all source documents not previously provided.
- c. Please provide and identify the cross elasticities used on those pieces migrating from special delivery to each of the classes identified in your response to OCA/USPS-T8-7.

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RESPONSE:

a. Library Reference SSR-40 was not used in developing my Workpaper B. Footnote 1 of Workpaper B was in error and should state "USPS-LR-SSR-43, Section VII; Other classes - Not over 2 lbs. includes Mail Categories 8760 and 8730." Footnote 5 also is being revised to "USPS-LR-SSR-43, Section VII". Please note that a revised WP B, and a new section VII of Library Reference SSR-43 are being filed today.

For your information, it is my understanding that the file "CATMAST" in SSR-40 is not obsolete. The file was used in processing the Domestic RPW system in GFY 1995. I am told that the first line of the computer file is erroneous.

b. Library Reference SSR-40 is not relevant to the derivation of the volume shifts which would result from the elimination of special delivery service. For estimating the impact of the elimination of special delivery service, we have assumed that about one-half of the special delivery customers would switch from their current mail class to Express Mail, and that the other half would simply stay with the same mail class but without special delivery service. Of the 207,000 special delivery transactions projected for FY 1996, therefore, 104,000 pieces would migrate from their current class to Express Mail. Workpaper B derives the breakdown of the source classes

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for these 104,000 pieces, based on RPW subclass volume split factors.

c. As described in the response to (b), there is no migration from special delivery service. Rather, certain First-Class, Priority, Third-Class Single Piece, and Parcel Post mail is migrating to Express Mail. Cross-elasticities were not used.

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PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

10. Please explain the difference between the number of boxes listed as Group III in USPS-T-1, WP C, 2,707,964, and the number of possible PO box deliveries, 338,510, given in LR SSR-93, page 6. Does either number represent the PO box customers currently paying \$2 a year for box rental? Does either number represent the number of PO box customers who will be paying \$0 under the Postal Service's proposal?

RESPONSE:

The two numbers are drawn from different sources. The "338,510" is drawn from the Delivery Statistics File, as described in LR SSR-93, while the "2,707,964" is drawn from the Commission's Recommended Decision in Docket No. R94-1.^{1/} It is my understanding that the latter figure is based on a Docket No. R90-1 estimate of installed boxes in Group III offices, multiplied by a utilization rate derived from the 1985 POPS survey.^{2/} Both numbers are arguably estimates of how many customers are currently paying the \$2 group III fee, but I have used the larger figure for the revenue analysis, in order to be consistent with the Commission's analysis in Docket No. R94-1.^{3/} Neither number accurately reflects how many customers will be paying \$0 under the Postal Service's proposal, since neither number represents the total number of box customers at both postal and contract non-delivery post offices.

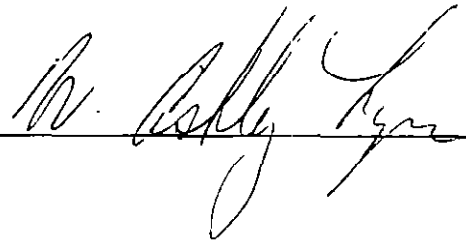
^{1/} PRC Op., Docket No. R94-1, Appendix G, Schedule 2, page 25.

^{2/} In Docket No. R87-1, the Postal Service estimated that there would be 396,252 Group III boxes in the test year (FY 1989), based on the 1985 Post Office Profile Survey. USPS-T-21, WP-1, pages 1-6. The Post Office Profile Survey was discontinued after 1985.

^{3/} USPS-T-1, WP C at 3, and WP D at 8.

DECLARATION

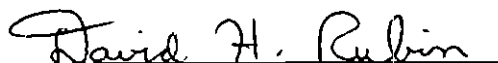
I, W. Ashley Lyons, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Dated: 7-26-95

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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