

ORIGINAL

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-3002

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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
TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-5-9)

The United States Postal Service hereby provides responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-5-8, filed on July 15, 1996, and OCA/USPS-9, filed on July 16, 1996.

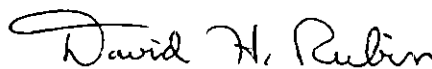
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

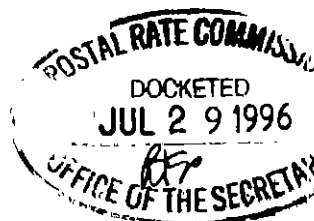
By its attorneys:

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July 29, 1996



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OCA/USPS-5. The purpose of this interrogatory is to find out what public statements have been made by the Postmaster General concerning future rate increases during the last six months. Information provided in response to interrogatory OCA/USPS-T-8-18 may be incorporated by reference.

- a. Within the last six months, has the Postmaster General made any public statements concerning the timing of (1) the filing of the next omnibus rate case or (2) when there will be omnibus rate increases? Please identify each instance.
- b. Please provide copies of appropriate documents either quoting or describing statements the Postmaster General made within the last six months concerning (1) the filing of the next omnibus rate case or (2) the timing of the next omnibus rate increases.

RESPONSE:

Please refer to the statements in Library Reference SSR-131 and the Postal Service's answer to OCA/USPS-T8-18, filed July 25, 1996.

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OCA/USPS-6. Please provide the Postal Service's most recent estimates of profit and loss for FY 1996, FY 1997, and FY 1998. To the extent available, the information provided in response to this interrogatory should show revenues by class, subclass and special service and costs by expense category. Information already filed with the Commission may be incorporated by reference.

RESPONSE:

For FY 1996 please refer to the testimonies and workpapers of witnesses Lyons (e.g., Exhibit A) and Patelunas, and Library Reference SSR-11. This information has not been developed for FY 1997 and FY 1998 in conjunction with this filing because the test year is FY 1996. However, the FY 1997 President's Budget reflects a net loss of \$652 million for FY 1997.

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OCA/USPS-7. Refer to the response to OCA/USPS-1 concerning the recovery of prior years' loss amounts.

- a. Please specify the target amount in dollars for recovery of prior years' losses in FY 1996, 1997 and 1998.
- b. Please estimate the amount in dollars by which the new revenues resulting from special service reforms will cause the recovery of prior years' losses in FY 1997 and 1998 to "equal or exceed the cumulative prior years' loss recovery target" amount for FY 1997 and 1998.

RESPONSE:

a & b. As set forth in Board of Governors Resolution No. 95-9 (see response to OCA/USPS-1) recovery of prior years' loss targets are not annual but cumulative. Assuming hypothetically that no changes in overall rates are implemented during the time period you have specified (FY 1996-1998) the cumulative target for this period would be \$2.808,678 billion or 3 times the amount of prior years loss recovery included in the Docket No. R94-1 test year revenue requirement (\$936.226 million).

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OCA/USPS-8. Refer to the response to OCA/USPS-1 concerning the recovery of prior years' loss amounts, and the Wednesday, July 3, 1996 edition of the Washington Post, at page A23, wherein the Postmaster General is quoted as saying "we expect year end net income to approach \$1 billion." For FY 1996, rank in order of importance the following priorities for use of the estimated \$1 billion: recovery of prior years' losses, extend the rate cycle, refinance USPS debt, or restructure the organization of the Postal Service. Please explain your answer.

RESPONSE:

As explained in the response to OCA/USPS-1, Postal Service priorities are not necessarily mutually exclusive. The achievement of a net income approaching \$1 billion for FY 1996 would facilitate the accomplishment of both prior years' loss recovery and extension of the rate cycle and both are high priorities for FY 1996.

Refinancing debt and a major restructuring of the organization are not currently high priorities, however this could change at some time in the future. Also please note that some Postal Service initiatives, e.g. a hypothetical organizational change, might be accomplished without incurring a net cost.

OCA/USPS-9. The following interrogatory refers to USPS witness Landwehr's testimony at 7 and witness Needham's testimony at 8 (USPS-T-7). Given that witness Needham's testimony states,

Box customers and post office employees work together to determine the appropriate size box for customers' needs. Customers may request or be requested to move to a larger size box if their current box is too small to handle the volume of mail received.

- a. Please explain why non-resident box holders whose mail volumes may exceed the capacity of boxes and thus place an administrative burden on a given post office are not requested to move to an appropriately sized box.
- b. Given that no costs are available to substantiate the difference in attributable costs associated with providing box service to residents versus non-residents, please explain how the anticipated non-resident fee will adequately compensate the Postal Service for the "administrative burdens" placed upon the Postal Service by those patrons renting undersized post office boxes? (See USPS witness Lion's response to OCA/USPS-T4-1)
- c. Please explain why the Postal Service believes that a non-resident fee is a better solution to Postal Service boxholder capacity problems than is a requirement that a customer rent an adequately sized post office box?
- d. Please provide all available data, studies or other analysis performed on the actual workload difference required to service resident versus non-resident box holders.
- e. Please provide all available data, studies or other analyses performed to identify the frequency with which residents and non-residents rent undersized post office boxes.
- f. For those residents and/or non-residents who rent undersized post office boxes, please provide all available data, studies or other analyses explaining the Postal Service's rationale for (1) not reassigning the boxholder to an adequately sized box, and/or (2) assessing the boxholder the fee for an adequately sized box.
- g. For those residents and/or non-residents who rent undersized post office boxes, please provide all available data, studies or other analyses explaining why box customers and post office employees are unable to "work together to determine the appropriate size box for [the] customers' needs."

RESPONSE:

- a-c. This interrogatory fails to assimilate details of the Postal Service case and the real world in which post office box service is offered. First, the cited page of witness Landwehr's testimony (USPS-T-3 at 7) refers to the San Luis Post Office, which has no available boxes. *Id.* at 5. Hence there is no option of moving customers to larger boxes in this office. Second, the procedures described by witness Needham derive

primarily from box overflow, Domestic Mail Manual (DMM) § D910.3.5, which focuses upon daily mail volume. Box overflow can be distinct from mail accumulating in a box over time, *see* DMM § D910.3.4; only the latter of these is identified as a problem at the San Luis Post Office. While the overflow regulation is written in mandatory terms (“must use ...” caller service, larger box, or more boxes), the accumulation regulation is more permissive stating not that accumulation is impermissible but that special arrangements should be made to deal with it. *See also*, Domestic Mail Manual Transition Book (DMMT) § 951.162, Mail Accumulation (customers should make advance arrangements for expected accumulations, but postmasters should take remedial action only if an operational problem results). In offices that have no available boxes, the only remedial action that a postmaster might take -- aside from encouraging customers to visit boxes more often -- would be termination of box service. DMM § D910.7.2.¹ In circumstances when no boxes are available or the only option is caller service, the requirement that a customer use a larger box is impractical and the Postal Service has accordingly chosen to minimize its administrative burden by exercising its discretion in the direction of employing the operational procedures described by witness Landwehr. The non-resident fee is intended to compensate the Postal Service for the un-quantified but anecdotally described problems associated with non-resident box holders both directly and by providing a financial incentive that works in the direction of increasing the proportion of resident box holders in a given office.

¹ Customers may appeal box closing decisions to the Postal Service Judicial Officer, *id.*; 39 *CFR* § 958. While it is not clear what action the Judicial Officer might take, a closing decision based on overflow or accumulation when no larger boxes are available might not withstand scrutiny. The only real solution, accordingly, is to make more boxes available; Docket No. MC96-3 is intended to encourage this remedy by decreasing the size of the financial disincentive to do so.

d-g. No such studies or analyses exist. *See also*, Response to OCA/USPS-9a-c.

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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