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BEFORE THE 'RECEIVED
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001 4 45 PM '96

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-T7-21-27)

The United States Postal Service hereby provides responses of witness Needham to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T7-21-26, and 27(b)-(d), filed on July 23, 1996. An objection to interrogatory OCA/USPS-T7-27(a) was filed on August 2, 1996.

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

Respectfully submitted,

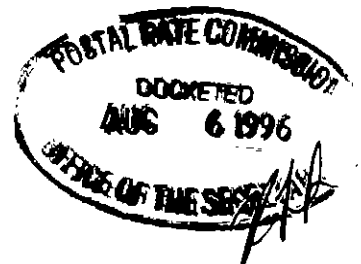
UNITED STATES POSTAL SERVICE

By its attorneys:

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August 6, 1996



**RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO
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OCA/USPS-T7-21. Refer to page 25, lines 6-8, of your testimony. Please confirm that the additional revenue from the non-resident fee will be sufficient to alleviate the problems caused by non-resident box service customers.

- a. If you do not confirm, please provide the box rates that would be sufficient.
- b. If you do not confirm, please provide the amount of additional revenue necessary to alleviate the problems.

RESPONSE:

a and b) I can confirm that the additional revenue would alleviate these problems, although no specific dollar amount that would cover all costs caused by non-resident boxholders can be pinpointed. A non-resident fee would motivate some non-residents to seek box service at their local office, thus freeing up box service for residents. Moreover, the higher fees would provide a justification for box expansion, where appropriate. See witness Lyons' testimony, USPS-T-1, at 18-19. The additional revenue would also compensate the Postal Service for the additional work related to non-resident boxholders, which witness Landwehr describes in his testimony, USPS-T-3.

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OCA/USPS-T7-22. Refer to page 25, lines 6-8, of your testimony where it states that, "the additional revenue from non-residents would provide funds for expansion of box service where appropriate." Please confirm that the additional revenue from non-resident box customers will be used to install more post office boxes.

- a. If you do not confirm, please explain to what use the additional revenue will be put.
- b. If you do confirm, please provide a copy of the plan "for expansion of box service where appropriate."

RESPONSE:

Not confirmed. It is my understanding that the Postal Service does not earmark revenue for a particular purpose. However, I do believe that my proposal, if implemented, will lead to increased spending for box expansion. Please see my response to OCA/USPS-T7-21.

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OCA/USPS-T7-23. Refer to pages 17-25 of your testimony concerning post office box fees.

- a. Please confirm that the current post office box fees are insufficient to cover the cost of providing box service. If you do not confirm, please explain.
- b. Assuming fees are insufficient to cover the cost of providing box service, please confirm that it makes sense to limit post office box availability and to maintain large waiting lists. If you do not confirm, please explain.
- c. Please describe the policy changes, and the timing of such changes, regarding the installation of new box sections to meet customer demand, assuming adoption of the proposed non-resident fee.

RESPONSE:

- a. I can confirm that the current post office box cost coverage is 99.8 percent. Exhibit USPS-T-1C. But the results vary by fee group and box size. For example, based on the results in Table VI on page 15 of my testimony, current post office box fees in Group II are insufficient to cover the cost of providing box service. However, fees for Group IC are well above the cost of providing box service. Compare USPS-T-7 at 3 with USPS-T-4 at 44.
- b. Not confirmed. In Group I, most fees cover costs, so there is no financial incentive to limit box availability. For those box fees that do not cover costs, the Postal Service believes that it is more practical and economically efficient to increase the fees to cover costs (except for proposed Group E). See pages 38-39 of my testimony. Further, the Postal Service believes it is

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in the customers' best interests to make a high demand service, such as post office box service, available to the greatest extent possible, rather than limit its availability.

- c. Policy changes and the timing of these changes with respect to box expansion have not yet been formulated.

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OCA/USPS-T7-24. Refer to page 25, lines 6-8, of your testimony. Please explain at what level of postal management the decision to expand post office box service is made.

RESPONSE:

It is my understanding that the postmaster or officer-in-charge level at each individual facility provides important input for box expansion decisions. The authorization to obtain more boxes generally comes from the District level of management.

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OCA/USPS-T7-25. Refer to page 4, the continuation of Table I, lines 34-36, concerning the caller service fee for Delivery Group II. Please explain in detail the basis for the "estimated 80 percent paying the current size 5 box fee and an estimated 20 percent paying the current subgroup IC caller service fee." Show the derivation of these percentage figures. Provide all underlying sources.

RESPONSE:

This is, as stated, an estimate. This estimate is based on an average number derived from informal discussions with postmasters. This estimate is not intended to be scientific in nature and is, rather, a "ballpark" figure.

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OCA/USPS-T7-26. Refer to page 25, lines 3-5, of your testimony.

- a. Please provide statistical data, reports, or other documentation on the number of residents "unable to obtain boxes in their own delivery area", or in the alternative, by Delivery Group.
- b. Please provide statistical data, reports, or other documentation on the number of non-residents seeking to obtain post office boxes service by Delivery Group, or in the alternative, by post office (including ZIP Code).
- c. If you are unable to provide the information requested in "a" and "b" above, please state whether you believe the number of residents unable to obtain boxes in their own delivery area is greater than the number of non-residents seeking to obtain post office boxes service.

RESPONSE:

a and b.

The articles in Library Reference SSR-105 contain information on residents unable to obtain box service in their delivery area post office. Also, please see the responses of witness Ellard to OCA/USPS-T6-18 and 19, filed August 2, 1996. Beyond this, I cannot provide any statistical data, reports or other documentation.

c. I do not know which number would be greater.

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OCA/USPS-T7-27. Refer to your response to OCA/USPS-T7-10.

- a. Please confirm that there are no restrictions in the DMM or DMCS that would prevent the Postal Service from giving priority to residents. If you do not confirm, please explain.
- b. Please confirm that non-residents displaced by residents who receive priority in box rentals would continue to make a revenue contribution to the Postal Service, to the extent such non-residents obtain box service at another post office. If you do not confirm, please explain.
- c. Please explain the basis of your conclusion that, "determining when to give priority to residents would appear to be very burdensome."
- d. Please explain whether the administrative burden of giving priority to residents would be greater or less than the administrative burden now associated with box rentals to non-residents.
- e. Please explain whether giving priority to residents could be achieved by establishing, where necessary, two separate lists: one for residents and the second for non-residents, both maintained in the chronological order of the request for box service.
- f. Assuming priority is given to residents over non-residents, please estimate the number of non-resident post office box customers who would not obtain post office box service.

RESPONSE:

- a. Objection filed on August 2, 1996.
- b. Confirmed, with reservation. These "displaced" non-resident boxholders would not necessarily continue their box service at another postal facility. Those non-residents that did, of course, would continue to make a revenue contribution to the Postal Service. However, the administration of a non-

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resident fee would preclude a forced displacement of the boxholder population.

- c. Your interrogatory OCA/USPS-T7-10 gave two situations for providing priority for box service to residents over non-residents: initially obtaining box service and renewing box service. With respect to initially obtaining box service, giving priority to residents would only be moderately burdensome if the postal facility currently maintains a waiting list. However, not all postal facilities maintain waiting lists, and for these particular facilities, initiating a waiting list would be burdensome. These facilities would have no way of knowing how many potential customers had been turned away and told to check back at a later date for available box service. Additionally, the explanations to potential customers of why they would need to establish residency prior to being placed on the residents' waiting list would be both time consuming and burdensome.

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With respect to renewing post office box service, forcing non-resident boxholders out of their boxes to provide box service for residents would be an administrative nightmare. Inevitably, the customer dissatisfaction resulting from this type of action would be monumental. See also the Postal Service's response to OCA/USPS-9, which refers to termination of box service and customer appeals.

I wish to reiterate that it is not the Postal Service's intention to take box service away from existing customers, but rather to assess a fee for non-residents benefiting from post office box service at a post office other than their local delivery post office.

- d. Giving priority to residents and providing box service to non-residents are administratively burdensome in different ways. However, due to the reasons mentioned in OCA/USPS-T7-27(c), giving priority to residents when renewing box service agreements for non-residents would be a greater administrative burden than the current practice of providing box service to non-residents.

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- e. Assuming the interrogatory refers to exhausting the resident waiting list before providing box service to those potential customers on a non-resident waiting list, there would be the problems mentioned in part c above for offices that currently do not maintain a waiting list. Priority for residents could be initiated by the maintenance of two separate lists. However, this would not provide significant relief, since the benefits resulting from a non-resident fee would be absent.

- f. The Postal Service has no basis for making the requested estimate. The limited available information is described in the responses of witness Ellard to OCA/USPS-T6-18 and 19, filed August 2, 1996.

DECLARATION

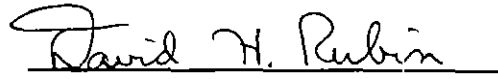
I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: August 6, 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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