

ORIGINAL

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Docket No. MC96-3

SPECIAL SERVICES REFORM, 1996

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS NEEDHAM TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS LYONS  
(OCA/USPS-T1-31-33)

The United States Postal Service hereby provides responses of witness Needham to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T1-31-33, filed on August 9, 1996, and redirected from witness Lyons.


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

Respectfully submitted,

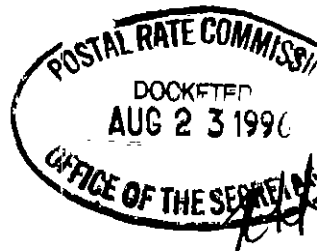
UNITED STATES POSTAL SERVICE

By its attorneys:

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August 23, 1996



RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM  
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REDIRECTED FROM WITNESS LYONS

OCA/USPS-T1-31. In USPS-T-8 at 109, witness Needham states, "[P]ostal cards offer an ideal medium for automated printing and addressing." Are postal cards more likely to be automation compatible than post cards? Please explain your response.

RESPONSE:

Please see the response of witness Patelunas to interrogatory OCA/USPS-T5-11.

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OCA/USPS-T1-32. In MC95-1, Postal Service witness McBride states, USPS-T-1 at 17,

The effects of the imbalance in institutional cost burden between the efficient and less efficient components of the subclasses are exacerbated by the fact that efficient mail tends to be more price sensitive. This greater price sensitivity stems from the fact that efficient mailers in all classes tend to have more non-postal options open to them in the market place.

a. Assume postal cards are more automation compatible than post cards and thus more efficiently processed by the Postal Service, please explain why increasing the effective postal card rate from \$0.20 to \$0.22 would not result in an imbalance in the institutional cost burden between the efficient and less efficient cost components.

b. Please explain why charging the \$0.02 fee for a postal card would not drive postal customers to other alternatives such as post cards which cost the Postal Service more to process.

RESPONSE:

a) Even assuming that postal cards are more automation compatible than postcards, the proposal is not to increase the postal card rate, but rather to establish a new special service fee for postal cards. Therefore, I cannot respond to the cost imbalance you assert with respect to a rate increase.

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b) I do not believe that customers would be driven to alternatives. The alternatives to postal cards are post cards with postage indicia printed or affixed thereon. Even if customers must pay a fee of \$0.02 for stamped cards, that price is a relative bargain, well below the market price of any private postcard, which can be purchased for several multiples of the proposed fee--as much as \$0.45 when sold in bulk . See USPS LR-SSR-106 at p. 5. In addition, through use of stamped cards, customers avoid all of the costs associated with separately obtaining and applying postage through alternative means, such as meter rental and/or resetting fees, permit fees and permit indicia printing fees, and/or costs associated with obtaining stamps. Also, the cost of affixing postage is avoided through use of a stamped card. For these reasons, I do not believe customers would be driven to alternatives.

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OCA/USPS-T1-33. In the Postal Service's pamphlet "Max It," Postmaster General Runyon is quoted as saying, "If it costs less for the Postal Service to process and deliver, it should cost less for you to mail." See attachment. Given Postmaster General Runyon's statement, please explain why the Postal Service is raising the effective mailing rate for postal cards, which are less costly to process and deliver, as opposed to post cards, which are more costly to process and deliver.

RESPONSE:

The stamped card fee is completely unrelated to processing and delivery costs.

The special service *fee* for stamped cards is intended to recover manufacturing costs directly from postal card users, rather than from all postal and post card subclass users. The Postal Service has simply not had occasion to determine whether separate *rates* for post and postal cards would be appropriate or warranted.

**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 23, 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.

  
Anthony F. Alverno

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