

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 INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE AND
THE AMERICAN POSTAL WORKERS UNION
(OCA/USPS-T1-34-35 AND APWU/USPS-T1-1)

The United States Postal Service hereby provides responses of witness Lyons to the following interrogatories: OCA/USPS-T1-34-35, filed by the Office of the Consumer Advocate on August 12, 1996; and APWU/USPS-T1-1, filed by the American Postal Workers Union on August 13, 1996.

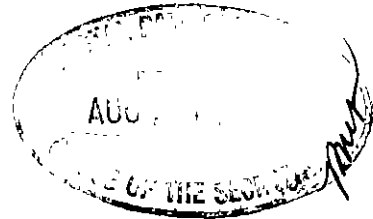
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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August 26, 1996

**RESPONSE OF POSTAL SERVICE WITNESS LYONS TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-34. Please refer to your answer to interrogatory OCA/USPS-T1-19.

- a. You state that “[t]he portion of that charge [the 20 cent postal card rate] which relates to the card is not identified separately from the amount of the postage.” Please confirm that the costs which relate to the card, i.e., the manufacturing costs are in the attributable costs assigned to postal cards and are covered by the rate paid by postal cards. See, witness Patelunas’ answer to OCA/USPS-T5-10.
- b. Please define “postcard” as you use it in your response: “Moreover the current product name, ‘postal card’, implies that the product is a postcard.
- c. Please define “card” as used in DMM E110.3.1 - E110.3.3.
- d. “Customers who buy postcards at a post office know that the postcard already has postage on it.” Do you agree or disagree with this statement? Please explain your statement.
- e. Please explain what the phrase “clarify the customer’s choice” means as you use it in your testimony and response.
- f. Please explain how a separate fee for postal cards “also has the advantage of establishing a sounder basis for these products” when all of the costs of the product are currently contained in the attributable cost.
- g. Please refer to section (d) and your answer thereto. Do you believe that Postal Service customers who have bought postal cards for 20 cents and now have to pay 22 cents would not say, if asked, that the rate had increased? Please explain any affirmative answer.
- h. Please assume that the stamped card fee proposal is adopted. Will the customer’s choice be either to buy a stamped card for 22 cents or not to buy a card whereas the previous choice was to buy a postal card for 20 cents? Please explain.

RESPONSE:

- a. Confirmed. Note, however, that the rate paid by postal cards was set for all cards combined, so that characteristics distinguishing postal cards

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from private cards, such as postal card manufacturing costs, were not directly considered.

- b. My meaning is the same as that in The American Heritage Dictionary, i.e., an unofficial card, usually bearing a picture on one side, with space for an address, postage stamp, and short message. The point I was trying to make is that the name "postal card" sounds like postcard, even though only postal cards include postage.
- c. The word "card" as used in DMM E110.3.1-110.3.3 can be defined as a small flat piece of stiff paper or thin pasteboard used to send messages.
- d. I agree that a customer who has purchased a postal card at a post office generally knows that it has postage on it. However, those who have not purchased a postal card may assume because of its name that the current postal card costs more than 20 cents or does not have postage affixed. Changing the name to stamped card would help to alleviate confusion.
- e. Please see my response to part d., above.
- f. Please see my response to part a. For pricing purposes, the costs attributable to both post cards and postal cards are included together under one product despite the fact that manufacturing costs are attributable solely to postal cards themselves, and not to other cards.

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Currently, 20 cents is charged to mail either a post card (purchased elsewhere without postage) or a postal card purchased at a post office with postage already affixed. As stated on page 14, line 16, of my testimony, a fee for the cost of the card "separates the recovery of the costs of producing the physical mailpiece from the rate of postage". This is the same logic behind the existing fee structure for stamped envelopes.

- g. Because the reason for the change is not obvious, customers could incorrectly view the change as a rate increase. However, after considering that the rate of postage needed to mail a postal card remains the same as the current 20 cent rate to mail a post card, and that the 2-cent fee recovers the cost of manufacturing the postal card, customers would understand the rationale for the change.
- h. The customer's choice will be to buy a stamped card from the Postal Service which includes a 2 cent fee for the card and 20 cents for postage or to buy a post card and affix 20 cents postage.

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OCA/USPS-T1-35. Please refer to your testimony at page 8. Please explain why expenses for certified mail and return receipt will decline.

RESPONSE:

As reflected in Exhibit A of my testimony, before rates attributable costs for certified mail and return receipt decline on an after-rates basis because the number of transactions declines. Please refer to my workpaper E, Page 2 for a comparison of before and after rates certified and return receipt volumes.

RESPONSE OF WITNESS LYONS TO
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APWU/USPS-T1-1. According to Exhibit A to your testimony, elimination of Special Delivery Service will result in a net loss of \$333,000. Why is this action fiscally appropriate?

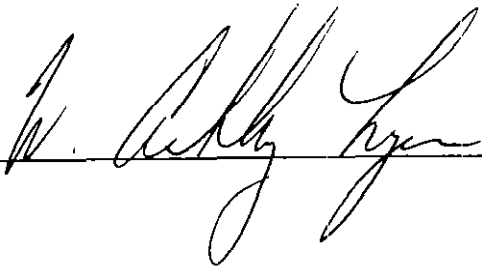
RESPONSE:

The net income (loss) impacts by special service shown in Exhibit A of my testimony reflect the direct change in attributable cost and revenue for each special service only.

The impacts on other categories of mail are included under the Mail & Other category in Exhibit A. For a breakdown of these impacts for special delivery service please see my response to OCA/USPS-T8-7c, which was redirected from witness Needham. As explained in my response to that interrogatory, the impact of volume shifts more than offsets the loss of direct special delivery contribution.

DECLARATION

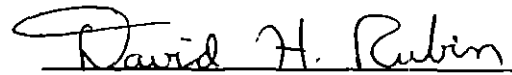
I, W. Ashley Lyons, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Dated: 8.26.96

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 12 of the Rules of Practice.


David H. Rubin

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