

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 NEEDHAM TO INTERROGATORIES OF
THE AMERICAN POSTAL WORKERS UNION, AFL-CIO
(APWU/USPS-T8-1-5, 6(A)(1-2, 4-5) and (3)(in part),
6(B)-12(A-D, F), 13-39, 41-43, 44(B))

The United States Postal Service hereby provides responses of witness Needham to the following interrogatories of the American Postal Workers Union, AFL-CIO: APWU/USPS-T8-1-5, 6(a)(1-2, 4-5) and 6(a)(3)(in part), 6(b)-12(a-d, f), 13-39, 41-43, 44(b), filed on August 13, 1996. Objections to interrogatories APWU/USPS-T8-40 and APWU/USPS-T8-44(c) were filed on August 22, 1996, and a partial objection to interrogatory APWU/USPS-T8-6(a)(3) was filed on August 23, 1996. Interrogatories APWU/USPS-T8-44(a) and 45 were redirected to witness Patelunas. The Postal Service has this day moved for an extension to respond to APWU/USPS-T8-12(e).

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



Anthony F. Alverno
Anthony F. Alverno

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-1 At page 116 of your testimony, you indicate that the Postal Service's proposal to eliminate Special Delivery Service is "best viewed as a classification change."

- a) Why is the proposal to eliminate special delivery service "best viewed as a classification change"?
- b) If the proposal to eliminate Special Delivery Service is viewed as a classification change, do the policies and factors related to rates and fees in 39 U.S.C. § 3621 apply? Did you evaluate the proposal as if they applied? What was the result of that analysis?
- c) If the proposal to eliminate Special Delivery Service is viewed as a classification change, do the policies and factors related to rates and fees in 39 U.S.C. § 3622 apply? Did you evaluate the proposal as if they applied? What was the result of that analysis?

RESPONSE:

- a) Because it proposes to change the classification language in the DMCS.
- b) My testimony addresses the criteria in section 3623. An analysis of section 3621 was not necessary for the purposes of my testimony; however, please see Exhibit USPS-T-1A for an analysis of the financial impact of the proposed changes, including the elimination of special delivery.
- c) Sections 3622 and 3623 overlap to some degree, and, in addressing section 3623 factors, my testimony addresses such overlapping factors.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-2 At page 118 of your testimony, you indicate that "Special delivery mail is intended to receive preferential treatment in dispatch and transportation." Please explain the basis for your statement that special delivery mail is intended to receive and/or received preferential treatment in transportation.

RESPONSE:

It should be emphasized that special delivery does not travel in a separate network; rather, special delivery pieces travel with mail in the corresponding subclass. With that in mind, special delivery pieces received and may receive preferential treatment from origin to destination by use of speedy bags, which facilitate separation and enable recognition of special delivery pieces.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-3 At page 118 of your testimony, you indicate that "Delivery by regular carriers sometime requires deviations from the regular route schedule to deliver these special delivery pieces in a timely manner." Please identify any and all regulations that direct or permit regular carriers to deviate from their regular route schedule to deliver special delivery pieces.

RESPONSE:

USPS LR-SSR-140 (Domestic Mail Manual Transition Book §§ 915.51, 915.52);

Postal Operations Manual §§ 622.2, 624.122; USPS LR-SSR-139 (Handbook

PO-603 §§ 341.721, 341.121); USPS LR-SSR-146 (Handbook PO-504 §§

341.1, 344).

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-4 At footnotes 45, 48, 50, 52 and 53 you refer to the Domestic Mail Manual Transition Book. What is this document? Why is it an appropriate source for these footnotes? Could you have a copy of this book made a Library Reference?

RESPONSE:

In 1992, the Postal Service determined to revise and reorganize the Domestic Mail Manual to make it simpler and easier to use by streamlining the rules, stating them in plain English, reorganizing them, and limiting the Domestic Mail Manual's contents to rules which govern the relationship of the Postal Service and its customers. This resulted in the excision of materials covering recommendations for voluntary customer action and internal instructions to postal employees. On July 1, 1993, these excised provisions were published in a separate part of the Domestic Mail Manual entitled the Domestic Mail Manual Transition Book. It is still effective and serves as an appropriate source for internal operating procedures. A copy is provided in USPS LR-SSR-140.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-5 At pages 119-120 of your testimony, you state that:

“Once a special delivery piece reaches its destination post office, it is distributed to a special delivery messenger or the appropriate route carrier to be either delivered immediately or with the remainder of the addressee’s mail.”

- a) Please identify any and all regulations that permit a regular route carrier to routinely deliver special delivery mail.
- b) Please identify any and all regulations that permit a regular route carrier to deliver special delivery mail with the remainder of the addressee’s mail.

RESPONSE:

a-b) Rural Carriers: USPS LR-SSR-140 (Domestic Mail Manual Transition Book § 915.543); USPS LR-SSR-139 (Handbook PO-603 §§ 340 341.42, 422.4, and 535.12f); Postal Operations Manual §§ 622.14 and 623.4; *see also* Postal Bulletin 21872, 7-21-94.

City Carriers: USPS LR-SSR-140 (Domestic Mail Manual Transition Book § 915.52a(3)); USPS LR-SSR-138 (M-41 Handbook, Chapter 7); Postal Operations Manual § 622.113.

Postmasters or employees in general: Postal Operations Manual § 622.113.

Highway Contract Service: USPS LR-SSR-140 (Domestic Mail Manual Transition Book § 915.543); USPS LR-SSR-146 (Handbook PO-504 §§ 332.4 and 344); Postal Operations Manual § 623.4.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-6 At page 120 of your testimony, footnote 51, you refer to section 624 of the Postal Operations Manual to support your statement that "Any postal employee, including special delivery messengers and postmasters, may make special delivery runs."

- a) Postal Operations Manual 624.12 specifies that certain postal employees in CAG H-L offices -- postmasters and postal operations administrators (POAs) who are paid at the postmaster level and "any other USPS employee who makes deliveries during off duty time i.e., time not officially on the clock" -- are paid fees for special delivery runs.

1. What is the fee schedule for special delivery runs by these postal employees? If there is no fee schedule, how is the fee determined?

2. Why is a fee paid to postmasters and postal operations administrators (POAs) who are paid at the postmaster level? Is this fee in addition to the pay these employees receive for the time spent on the special delivery run? Are these employees paid for the time spent on the special delivery run?

3. Why would a USPS employee make deliveries "during off-duty time i.e., time not officially on the clock"? Are these employees paid for the time spent on the special delivery run? Is this consistent with the Fair Labor Standards Act (FLSA)? Is this fee in addition to the pay these employees receive for the time spent on the special delivery run?

4. How much did the Postal Service pay in fees to postal employees in the base year pursuant to Postal Operations Manual section 624.122.a? How many pieces of Special Delivery mail were delivered during the base year pursuant to Postal Operations Manual section 624.122.a?

5. How much did the Postal Service pay in fees to postal employees in the base year pursuant to Postal Operations Manual section 624.122.b? How many pieces of Special Delivery mail were delivered during the base year pursuant to Postal Operations Manual section 624.122.b?

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

- b) Postal Operations Manual sections 624.112, 624.122.c, and 624.122.d specify that certain non-postal employees are paid for Special Delivery runs.
1. How many Special Delivery contract messengers were employed, hired or used in the base year? How many pieces of special delivery mail did they deliver in the base year? How much did the Postal Service pay in fees to Special Delivery contract messengers in the base year? Did the Postal Service pay these Special Delivery contract messengers for the time they spent on Special Delivery runs? If so, how much did the Postal Service pay in total during the year? At what rates? Did the Postal Service reimburse the Special Delivery contract messengers for any of their costs and/or expenses? If so, please identify all types of costs and/or expenses? If so, please identify all types of costs and/or expenses reimbursed and provide the total amounts the Postal Service paid for these costs or expenses in the base year.
 2. How many highway contract route carriers were paid a fee for making a special delivery run for a CAG A-G office in the base year? How many pieces of special delivery mail did they deliver in a base year for a fee? How many pieces of special delivery mail did they deliver in the base year without receiving a fee? How much did the Postal Service pay in fees for Special Delivery runs to highway contract route carriers in CAG A-G offices in the base year? Did the Postal Service pay these highway contract route carriers for the time they spent on Special Delivery runs? If so, how much did the Postal Service pay in total during the base year? At what rates? Did the postal Service reimburse the highway contract route carriers for any of their costs and/or expenses? If so, please identify all types of costs and/or expenses reimbursed and provide the total amounts the Postal Service paid for these costs or expenses in the base year.
 3. how many highway contract route carriers were paid a fee for making a Special Delivery run for a CCAG H-L office in the base year? How many pieces of special delivery mail did they deliver in the base year without receiving a fee? How much did the Postal Service pay in fees for Special delivery runs to highway contract route carriers in CAG H-L offices in the base year? Did the Postal Service pay these highway contract route carriers for the time they spent on Special Delivery runs? If so, how much did the Postal Service pay in total during the base year? At what rates? Did the Postal Service reimburse the highway contract route carriers for any of their costs and/or expenses? If so, please identify all types of costs and/or expenses reimbursed and provide the

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

total amounts the Postal Service paid for these costs or expenses in the base year.

c. How much did the Postal Service spend in Special Delivery fee payments pursuant to Postal Operations manual 624 in the base year?

d. If any Postal employee may make Special Delivery runs, why have there been Special Delivery Messengers since 1885? Why does the Postal Operations Manual direct the establishment of Special Delivery Units and formalize delivery rules for Special Delivery Messenger service?

RESPONSE:

a) 1) We cannot identify any fees paid to postal employees. Postal employees would be paid their regular hourly salary for all work performed including the delivery of special delivery mail. Rural Carriers are paid via Form 8127 for any route deviations, including the delivery of special delivery mail, which is submitted to the Minneapolis PDC for regular payroll processing. Total special delivery fee expenses of \$4,575 were charged in the Base Year - FY 1995. USPS LR-SSR-10 (FY 95 Cost Segments and Components Reconciliation to Audited Financial Statements and Account Reallocations at Cost Segment 9, page 2, Component 63). Beyond this, the Postal Service does not track the purpose for which such expenses are used or to whom fees (if any) are paid.

a) 2, 4 and 5) We cannot identify any fees paid to postal employees. Postal employees would be paid their regular hourly salary for all work performed including the delivery of special delivery mail. Total special delivery fee

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

expenses of \$4,575 were charged in the Base Year - FY 1995. (FY 95 Cost Segments and Components Reconciliation to Audited Financial Statements and Account Reallocations at Cost Segment 9, page 2, Component 63). Beyond this, the Postal Service does not track the purpose for which such expenses are used or to whom fees (if any) are paid. Volume statistics are not tracked beyond the level of detail reported in USPS LR-SSR-145.

a)3) A partial objection to this interrogatory has been filed. There is no information indicating that postal employees are making deliveries "off the clock."

b) 1) The Postal Service has not identified any information about the use of any special delivery contract messengers nor any related volume statistics.

b) 2 and 3) Highway Contract Route carriers were not paid any fees, reimbursed for any expenses, nor paid for any time to deliver an unknown and unrecorded quantity of special delivery mail. See USPS LR-SSR-146 (Handbook PO-504 §§ 324.1 & 344).

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

c) See response to (a)(2) above.

d) Special Delivery service was initiated in 1885 pursuant to a legislative act. We are unaware that "special delivery messengers" have existed since 1885. A hallmark of the service since its initiation, however, is that a variety of employee classifications have simultaneously effected delivery. We are unaware of any specific rationale for the development of Postal Operations Manual provisions regarding the development of Special Delivery units or rules regarding Special Delivery Messenger Service. We would observe, however, that Special Delivery Units or Special Delivery messengers are found in only a minute fraction of the nation's post offices.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-7 With reference to your testimony at page 121, line 12, through page 122, line 9:

a. Once the regular carrier is out on his or her route, is there any other way for subsequently arriving mail matter to be routinely delivered other than by Special Delivery service?

b. If yes, please identify any and all regulations that permit routine expedited delivery by anyone other than a Special Delivery Messenger after the letter carriers has left to begin his or her normal course of delivering other mail.

RESPONSE:

a) Yes, although the chance of special delivery pieces arriving after the carriers have left the delivery office is slim because special delivery mail travels with mail corresponding to the class of service.

b) For postmasters or employees in general, see Postal Operations Manual § 622.113.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-8 Your testimony at page 122, line 11 through page 123, line 1, provides:

"Over time, the general upgrading of both air mail and First Class mail diminished the relative advantage of special delivery. Today, special delivery is often delivered by carriers during the normal course of their routes. Therefore, the service provided by special delivery for First-Class Mail often approaches regular First-Class Mail service, or First-Class Mail service in conjunction with a special service such as registry or certified service (or registered or certified with restricted delivery and/or return receipt service), without much of the value added of those special services, despite the premium price for special delivery." (footnote omitted)

- a. From 1968 to the present, specifically how has the "general upgrading of both air mail and First Class Mail diminished the relative advantage of special delivery?"
- b. Please provide any and all statistics or other evidence you have that supports the statement that Special Delivery "is often delivered by carriers during the normal course of their routes."
- c. Does regular First Class mail service provide expedited delivery service - e.g. up to four daily delivery trips, first delivery beginning by 8:00 a.m. and ending as late as midnight, with delivery on Sundays and holidays?
- d. Does registry or certified service (with or without restricted delivery and/or return receipt service) call for expedited delivery service without payment of an additional (Special Delivery) fee?

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

RESPONSE:

a) Examples include changing service standards to meet public needs, development of processing and distribution at general mail facilities (now processing and distribution centers), and the introduction and use of mail automation. See also USPS LR-SSR-137 at 11.

b) See USPS LR-SSR-138 (Handbook M-41 § 723); USPS LR-SSR-140 (Domestic Mail Manual Transition Book § 915.51); USPS LR-SSR-139 (Handbook PO-603 § 341.7); USPS LR-SSR-146 (Handbook PO-504 § 344). See also United States Postal Service, *Information Desk* at page 1 of Special Delivery section ("If the mail is available before morning deliveries, the regular letter carrier may deliver it."); USPS LR-SSR-141 (Publication 201 at 26-27). No statistics are available on this subject; however, my experience as a letter carrier, anecdotal information provided by postmasters, and the nature of the distribution process inform this conclusion.

c) No.

d) No.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-9 With respect to your discussion of revenue history on page 123 and Table XXXI, Special Delivery Revenue, on page 124:

- a. Does Table XXXI include revenue from destinating international "expres" (Special Delivery) mail?
- b. If Table XXXI does not include revenue from destinating international "expres" (Special Delivery) mail, why not?
- c. If Table XXXI does not include revenue from destinating international "expres" (Special Delivery) mail, please provide the Special Delivery Revenue annually from 1970 through 1995 including the revenue from international "expres" (Special Delivery) mail.
- d. Is Government Special Delivery revenue included in Table XXXI? Please provide the Government Special Delivery revenue annually from 1970 through 1995.

RESPONSE:

a) No. We understand expès and special delivery to be independent of each other.

b &c) See also response to (a). The UPU Convention lists what can be charged for incoming international mail, and there is no "expès" charge. Thus, there is no additional revenue from destinating international expès mail.

d) Yes, government special delivery revenue is included in Table XXXI.

Government special delivery volume 1991 to 1995 are reported below.

Data for 1994 and prior to 1991 are not available.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

Government Special Delivery Revenue

Fiscal Yr	Revenue
	(in dollars)
1991	487,816
1992	426,413
1993	201,240
1994	Not Available
1995	56,763

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-10 With respect to your discussion of volume history on page 125 and Table XXXII, Special Delivery Volumes, on page 126:

- a. Does Table XXXII include volume from destinating international "expres" (Special Delivery) mail?
- b. If Table XXXII does not include volume from destinating international "expres" (Special Delivery) mail, why not?
- c. If Table XXXII does not include volume from destinating international "expres" (Special Delivery) mail, please provide the Special Delivery Volume annually from 1970 through 1995 including the revenue from international "expres" (Special Delivery) mail.
- d. What accounted for the 75% volume increase in 1991 and the 100% volume increase in 1994.
- e. Why has Government Special Delivery volume been excluded from Table XXXII's figures since 1984? Please provide the Government Special Delivery Volume annually from 1970 through 1995.

RESPONSE:

- a) No. We understand *expres* and special delivery to be independent of each other.
- b & c) See also response to (a). *International expres* mail is reported as part of foreign postal transactions in RPW but is not differentiated from other inbound international mail; consequently, the Postal Service has no data responsive to this request.
- d) The Postal Service has no information responsive to this request.
- e) The presentation in Table XXXII excludes government mail (including Postal Service volume) in order to better illustrate the low volume for special delivery service outside the Postal Service. Government special

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

delivery volume (including Postal Service volume) from 1984 to 1995 are
reported below. Data prior to 1984 are not available.

Government and Postal Service Special Delivery Volume

Fiscal Yr.	Volume
	(in millions)
1984	0.7
1985	0.5
1986	0.5
1987	0.5
1988	0.3
1989	0.1
1990	0
1991	0.2
1992	0.2
1993	0.5
1994	0.1
1995	0.6

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-11 At page 127 of your testimony you state that "There are many available alternatives to special delivery, such as Express Mail, Priority Mail, First-Class Mail, long distance phone calls, faxes, and electronic mail messaging."

- a. Do Express Mail, Priority Mail, and First-Class Mail routinely provide for expedited delivery service after the mail matter arrives at the delivery office?
- b. Can telephone calls, faxes and e-mail deliver original documents and/or packages?
- c. What percentage of USPS delivery points have telephone [sic]? Fax machines? Personal computers?

RESPONSE:

- a) Expedited mail routinely receives expedited transportation and time certain delivery. For Priority Mail, please see witness Lyons' response to UPS/USPS-T1-2. First-Class Mail does not routinely provide for expedited delivery service. Please see my testimony at pages 122 and 129-30, where I discuss the value of Special Delivery when compared to First-Class Mail.
- b) Generally no; however, in the context of an e-mail messages, it may be that the transmission itself is the original.
- c) I am not aware of any information responsive to this request.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-12 At page 128 of your testimony you assert that Express Mail provides more expeditious delivery and is either equivalent in price or only marginally more expensive than Special Delivery.

- a. How much would a customer pay to send a seventy pound package to the furthest zone by Express Mail? How much would it cost the customer to send the same seventy pound package to the furthest zone by Special Delivery Priority Mail?
- b. Is it not true that Priority Mail and Express Mail utilize the same transportation and processing system?
- c. Is it not true that for any package over one pound, it is always cheaper to send it by Special Delivery Priority Mail than by Express Mail? If not, what is the point at which Special Delivery Priority Mail is cheaper than Express Mail?
- d. Have any studies been done of Special Delivery mail by weight? If so, please provide copies of all data and analysis. If not, why not?
- e. Please provide the mean, median, and mode weight for Special Delivery mail matter for each year from 1970 through 1995.
- f. One of Special Delivery's special features is Sunday and holiday delivery. Have any studies been done of Special Delivery mail by day of the week delivery and by holiday delivery? If so, please provide copies of all data and analysis. If not, why not?

RESPONSE:

a) Express Mail is not zoned. A 70 pound package (post office to addressee) would cost \$98.95 via Express Mail. To send the same package to zone 8 via special delivery Priority Mail, the price would be \$88.35. It is important to note here, however, that 91 percent of special delivery volume in FY95 (excluding Government) weighed under 2 pounds. See USPS LR-SSR-145.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

- b) See response to APWU/USPS-T8-41.
- c) Yes.
- d) No, it hasn't been needed.
- e) An extension to this response has been requested.
- f) No. The type of studies to which you refer have not been needed.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-13 When was Special Delivery service last promoted by the Postal Service? When was the last Special Delivery stamp issued?

RESPONSE:

Special Delivery is promoted to postal customers in Publication 201, *A Consumer's Guide to Postal Service and Products*, which was last revised in January 1995. A version of this publication in Spanish, *Guia Para El Consumidor De Servicios Y Productos Postales*, which also contains product information about special delivery, was issued in June 1994. Copies of these documents are marked as USPS LR-SSR-141 and USPS LR-SSR-142, respectively. *Information Desk*, an internal reference guide designed to assist postal field employees to promote postal products, also includes product information on special delivery. The section in *Information Desk* on special delivery indicates a date of May 1995. In addition, special delivery is described in Domestic Mail Manual Quick Service Guide, most recently issued on July 1, 1996. The last special delivery stamp was issued on May 10, 1971; however, it is not necessary to apply a special stamp to special delivery pieces to receive special delivery service.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-14 At page 129 of your testimony you compare Special Delivery to the service standards for Express Mail and conclude that Special Delivery "lags far behind with respect to reliability and speed." Please provide statistics showing the actual reliability and speed of Express Mail and the actual reliability and speed of Special Delivery.

RESPONSE:

The Postal Service does not maintain statistics on reliability and speed of special delivery; however, Express Mail, unlike special delivery, receives expedited transportation. The ontime performance for a.m. Express Mail service was 95.2 percent for FY 95. Total Express Mail network performance was 94.1 percent for FY 95.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-15 What formal analysis has the Postal Service done on the value of Special Delivery service to Postal Service customers to support your statement at page 130 that "Large decreases in special delivery volume have proven that the value of the product is low in the minds of most customers." Please provide copies of all data and analysis.

RESPONSE:

My testimony (USPS-T-8) contains this analysis.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-16 When you use the term "expedited mail" at page 130, line 9, of your testimony, to what class or service are you referring?

RESPONSE:

In the context of this particular sentence, I was referring to Expedited Mail and Priority Mail.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-17 What formal analysis has the Postal Service done on the value of Special Delivery service to Postal Service customers to support your statement at page 130 that other Postal Service services draw a recipient's attention to the mail piece as well as Special Delivery service indicia? Please provide copies of all data and analysis.

a. Isn't it reasonable to conclude that as Special Delivery has become more unique, its use draws even more attention to the mailpiece?

b. When a uniformed Special Delivery Messenger delivers a piece of Special Delivery mail, isn't that the most 'personalized service' the Postal Service has to offer?

RESPONSE:

a-b) No studies on this topic have been conducted; however, registered and certified mail are more likely to receive the recipient's attention because a signature is required for receipt of these pieces. Domestic Mail Manual D042.1.7. In contrast, a signature is not required for receipt of a special delivery mailpiece, since the piece may simply be deposited in the addressee's mailbox with a notice of attempted delivery. USPS LR-SSR-138 (Handbook M-41 § 741.2); USPS LR-SSR-139 (Handbook PO-603 § 341.722); USPS LR-SSR-146 (Handbook PO-504 § 344). For these reasons, special delivery does not provide the "most personalized" service to customers. Express Mail is also more advantageous when compared to special delivery, since it gives the sender the option of requiring or waiving the recipient's signature.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-18 With respect to your testimony on page 131 that First-Class Mail service has been upgraded, in what way has First-Class Mail been "upgraded" so that "special delivery service is no longer needed?"

RESPONSE:

Consolidation of operations in the processing and distribution centers resulted in changes in transportation to meet delivery needs. As a result, most mail is transported in one trip from the processing and distribution center to the delivery unit for delivery by the carrier the same day. These changes have reduced the relative advantage of special delivery, which was designed to be delivered as soon as possible after receipt at the delivery unit. Since there has never been a separate, dedicated transportation network for special delivery, and special delivery pieces travel with mail of the same subclass, special delivery pieces are often delivered by the carrier with the rest of the addressee's mail. See also USPS LR-SSR-137.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-19 With respect to your testimony on page 131, what formal analysis has the Postal Service done to support the statement that Express Mail and First Class mail "virtually dominate" the postal market in reliability and speed?" Please provide copies of all data and analysis.

RESPONSE:

No such analysis has been performed. The statement is simply a comparative analysis based upon the service descriptions of Express Mail and First-Class Mail with the service description of special delivery, coupled with a comparison of the decline in special delivery volume versus the increases in both Expedited Mail volume.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-20 At page 131 of your testimony you suggest that the Postal Rate Commission consider a sixth criterion in evaluating you [sic] proposal to elimination [sic] Special Delivery service. Please provide your full rationale for the development of this new criterion for classification changes. Is it to be given equal weight to the other criteria. [sic]

RESPONSE:

Since the matters I raise in the sixth criterion did not appear to fall neatly into one of the discrete categories prescribed in section 3623, I requested that the Commission treat this separately as a sixth criterion. I must emphasize, however, that the sixth criterion is related to the scope of the Commission's review of classification changes. I recommend that the Commission give this criterion due consideration in weighing this proposal; it makes little sense to offer a product that offers customers so little utility for so high a price. Please see my testimony at pages 131-32.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-21 At page 131, lines 17 - 19, your testimony states:

"As the country began to develop and employ advanced communications means, the need for special delivery diminished."

a. To what year or years are you referring in this quote?

b.. What do you mean by "advanced communication means" in this quote?

a) Although no specific year was contemplated, the reference could apply to most of the present century.

b) Examples include airmail, expedited and overnight services, e-mail, fax, and telephones. The growth of alternative parcel carriers has also contributed to the diminished need for special delivery.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-22 Has the Postal Service performed a Special Delivery market analysis and strategy recommendation since 1975? If any such analysis has been performed or data collected to do so, please provide a copy of the data and/or analysis.

RESPONSE:

Not to my knowledge.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-23 Has the Postal Service conducted a Special Delivery market analysis with strategy recommendations following the Commission's 1987 suggestion to do so? If any such activities has been performed or data collected to do so, please provide a copy of the data and/or analysis.

RESPONSE:

No, but my testimony (USPS-T-8) analyzes special delivery.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-24 Has the Postal Service conducted a Special Delivery market analysis with strategy recommendations following the Commission's 1994 reiteration of its 1987 suggestion to do so? If any such activities has been performed or data collected to do so, please provide a copy of the data and/or analysis.

RESPONSE:

No, but my testimony (USPS-T-8) analyzes special delivery.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-25 On pages 135-136 of your testimony you indicate that the Postal Service "carefully weighed the Commission's past pronouncements of the viability of this service and concurs with the Commission's findings." On what data specifically did the Postal Service rely when it "carefully weighed the Commission's past pronouncements?" Please provide copies of all such data and all analysis of it.

RESPONSE:

In addition to the Commission's conclusions regarding special delivery, the Postal Service relied on volume and revenue histories listed in Tables XXXI and XXXII of my testimony. See *also* USPS-T-2.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-26 On page 132 of your testimony you indicate that in 1975 Special Delivery service was a "viable special service." Please specify what has changed to cause it no longer to be viable or capable of continuing effectiveness.

RESPONSE:

Express Mail was introduced shortly thereafter, and alternative overnight carriers also grew since then.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-27 On page 132 you quote from the Postal Service's 1975 market analysis and strategy recommendation of special delivery mail, referring to certain "new products", including Beta Mail, Urgent Message Service and Mailgram. Please describe each of these products and provide us with its current status.

RESPONSE:

For a service description of Mailgram, see USPS LR-SSR-141 at 29; see also Domestic Mail Manual § P040.6.0. Cost, revenue, and volumes for Mailgram are reported in Exhibit USPS-T-5C at page 10. Beta Mail was conceived as a highly-reliable, expedited delivery service for letters and flats between major metropolitan areas. Urgent Message Service was designed to provide for electronic transmission of messages and was a precursor to E-COM. Beta Mail and Urgent Message Service are not offered by the Postal Service.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-28 On page 128 and 133 of your testimony you speculate that the users of special delivery are usually older citizens. Please indicate all bases for this assumption on your part.

RESPONSE:

It is based upon my experience as a letter carrier and anecdotal information from postmasters.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-29 On page 128 of your testimony you indicate that specific information on "the non-governmental special delivery customer base does not exist." Please indicate all information that does exist on the governmental special delivery customer base and provide copies of all data and analyses.

RESPONSE:

Please see my responses to APWU/USPS-T8-9(d) and 10(e) and USPS

LR-SSR-145.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-30 You refer to "advanced communications methods"
at page 133 of your testimony. To what methods are you referring? Can
these methods deliver packages?

RESPONSE:

See my response to APWU/USPS-T8-20(b).

Revised August 29, 1996

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-30 You refer to "advanced communications methods" at page 133 of your testimony. To what methods are you referring? Can these methods deliver packages?

RESPONSE:

See my response to APWU/USPS-T8-21(b).

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-31 In general, what actions can be taken by the Postal Service to reduce per unit attributable costs for any classification or service? Specifically, what actions could be taken by the Postal Service to reduce per unit attributable costs for Special Delivery Service? What actions have been taken by the Postal Service to reduce per unit attributable costs for Special Delivery Service?

RESPONSE:

Examples of actions that can contribute to reductions in per unit attributable costs include improvements in productivity and reduction in labor and capital costs. I am not aware of any recent action which could be or has been undertaken to reduce the per unit attributable cost for special delivery.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-32 At page 136 of your testimony you conclude that "As a rapid communications vehicle, special delivery has outlived its usefulness and cannot compete with more "rapid and technologically-advanced communications offerings."

a. Please identify the "rapid and technologically-advanced communications offerings" to which you are referring.

b. Was the Postal Service's evaluation of the "usefulness" of Special Delivery Service limited to letter size material, or did the Postal Service also consider Special Delivery's utility for package delivery? If the Postal Service did consider Special Delivery's usefulness for package delivery, please provide copies of all data, studies or analysis.

c. Did the Postal Service's evaluation of the "usefulness" of Special Delivery Service include any analysis of its usefulness for Fastnet, Global Priority Mail and Same Day Delivery? If so, please provide copies of all data, studies or analysis.

RESPONSE:

a) See my response to APWU/USPS-T8-20(b).

b) Yes, as discussed in my testimony and in my response to APWU/USPS-T8-18. Incidentally, I would note that the volume of special delivery mail weighing more than 2 pounds in subclasses other than First-Class is very small. In FY 95, it was only 3 percent of total volume (excluding Government). See USPS LR-SSR-145.

c) Yes; we recognize that these services are not dependent upon the existence of domestic special delivery service.

Revised August 29, 1996

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-32 At page 136 of your testimony you conclude that "As a rapid communications vehicle, special delivery has outlived its usefulness and cannot compete with more "rapid and technologically-advanced communications offerings."

a. Please identify the "rapid and technologically-advanced communications offerings" to which you are referring.

b. Was the Postal Service's evaluation of the "usefulness" of Special Delivery Service limited to letter size material, or did the Postal Service also consider Special Delivery's utility for package delivery? If the Postal Service did consider Special Delivery's usefulness for package delivery, please provide copies of all data, studies or analysis.

c. Did the Postal Service's evaluation of the "usefulness" of Special Delivery Service include any analysis of its usefulness for Fastnet, Global Priority Mail and Same Day Delivery? If so, please provide copies of all data, studies or analysis.

RESPONSE:

a) See my response to APWU/USPS-T8-21(b).

b) Yes, as discussed in my testimony and in my response to

APWU/USPS-T8-18. Incidentally, I would note that the volume of special delivery mail weighing more than 2 pounds in subclasses other than First-Class is very small. In FY 95, it was only 3 percent of total volume (excluding Government). See USPS LR-SSR-145.

c) Yes; we recognize that these services are not dependent upon the existence of domestic special delivery service.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-33 At page 136 of your testimony you indicate that the Postal Service "knows of no way to revitalize this service." On what studies, analyses and/or data did the Postal Service rely when reaching the conclusion that there was no way to revitalize Special Delivery service. [sic] Please provide copies of all such studies, analyses and/or data.

RESPONSE:

There are no such studies; however, the Postal Service reviewed the Commission's past conclusions on special delivery, along with the information presented in my testimony (USPS-T-8). As stated on page 136 of my testimony, I do not believe that special delivery can compete with more rapid and technologically advanced communication offerings, especially at a favorable price. The precipitous decline in special delivery volume supports this conclusion.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-34 Were any library references other than SSR-107, SSR-115 and SSR-116 relied upon by the Postal Service to make the recommendation to eliminate Special Delivery Service? If so, please identify all such Library References.

RESPONSE:

No.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-35 Please provide tables comparable to Tables XXXI and XXXII showing annual Express Mail Revenue and Volume from Fiscal Year 1970 through 1995.

RESPONSE:

Fiscal Yr.	Volume	Revenue
	(millions)	
1978	8.0	\$ 88.6
1979	12.2	\$ 133.6
1980	17.5	\$ 184.2
1981	23.8	\$ 269.7
1982	28.5	\$ 339.2
1983	36.8	\$ 422.3
1984	43.9	\$ 489.9
1985	45.3	\$ 543.8
1986	40.1	\$ 490.8
1987	41.5	\$ 498.7
1988	45.6	\$ 523.8
1989	53.3	\$ 572.0
1990	58.6	\$ 630.7
1991	58.0	\$ 668.0
1992	53.2	\$ 639.0
1993	52.4	\$ 627.1
1994	56.2	\$ 671.4
1995	56.7	\$ 710.9

Notes.

FY 83 and prior includes International Express Mail

FY 87 and prior excludes Penalty & Franked Express Mail

Express Mail established on October 9, 1977

Source: Annual Reports of the Postmaster General

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-36 Does the decreased market share of Express Mail relative to other Postal Service products indicate a reduction of marketplace demand for this type of product?

RESPONSE:

Your question assumes that Express Mail has experienced a decreased market share relative to other Postal Service products; however, you do not indicate the period within which this alleged decline has occurred. As a result, I am unable to comment upon matters which I do not know to be supported by any record evidence.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-37 Has the number of letter carrier routes with more than one delivery trip per day increased or decreased since 1970? Please provide all available data, studies or analyses.

RESPONSE:

Decreased. These were to be phased out, and all indications are that there have been no multi-trip routes in the past few years.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-38 Please describe Delivery Point Sequencing. As a result of Delivery Point Sequencing, should letter carriers leave the delivery office earlier than before the introduction of Delivery Point Sequencing? Under Delivery Point Sequencing, what would be the optimum time for a letter carrier to leave the delivery office to begin deliveries?

RESPONSE:

This topic was described in great detail by witness Lewis in Docket No.

MC95-1. See Docket No. MC95-1, USPS-T-4 and Tr. 4/984 et. seq.; see also Docket No. MC93-2, USPS-T-1. Yes. There is no set time. Carrier leaving times depend on multiple factors, such as the scheduled arrival of mail from the plant, local carrier schedules, route size, caseable volume, and customer characteristics (businesses vs. residential, high vs. low volume), among others.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-39 Can Express Mail be sent certified? Can Express Mail be sent Registered?

RESPONSE:

No; however, Express Mail offers customers service that is largely equivalent to certified, since Express Mail pieces have unique identifiers, can be combined with return receipt, may require the recipient's signature, and delivery records are maintained. No.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-40 In recommending elimination of Special Delivery Service did the Postal Service consider its obligations as stated in section 755.3 of the International Mail Manual? How will the Postal Service comply with Section 755.3 of the International Mail Manual if there is no domestic Special Delivery Service. [sic]

RESPONSE:

Objection filed.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-41 How are Express Mail and Priority Mail not
destinating in an Express Mail Eagle Network city handled differently
from such mail that is destinating in an Express Mail Eagle Network city?

RESPONSE:

Express Mail and Priority Mail that are destinating in an Eagle
Network city are routed to the Eagle. Each origin has a certain amount of
Priority Mail it is allowed to send via the Eagle. There is no limit for
Express Mail. After the mail arrives at the network city, the mail is
delivered to the AMC or AMF for transporting to the processing and
distribution center, or in some cases, directly to an associate office if
transportation exists. Additionally, Express Mail destinating at some
network cities have unique distribution procedures in place to process the
mail at the AMC/AMF (versus the plant) and the mail is given directly to
the letter carrier to meet our noon delivery requirements.

Express Mail and Priority Mail that do not move in the Eagle
Network either travel via commercial airline, surface transportation, or
other dedicated air transportation, such as the WNET, the dedicated
transportation that handles Express and Priority for the Pacific and
Western Areas. In the case of surface transportation, the highway
contract trips generally are planned from one processing and distribution
center to another.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

In some cases, air taxis are used for Express Mail. The air taxis depart from a non-Eagle city and connect with the Eagle at an Eagle site. Finally, there are some origins that currently use surface transportation into the Eagle hub for both Express Mail and Priority Mail for Eagle cities.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-42 Prior to this case, what special services or mail classifications has the Postal Service sought to eliminate? Please identify the Postal Rate Commission case in which the Postal Service requested each such recommended decision.

RESPONSE:

Examples include: Dead letter return service (R84-1); ZIP + 4 (MC95-1);

E-COM (MC84-2); Controlled circulation (R80-1); Limited Circulation

(R84-1); Domestic Airmail (R76-1); and transient second-class (R84-1).

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-43 Did the Postal Service make a decision to promote the use of Express Mail and de-emphasize Special Delivery Service? Please explain your answer and provide any related data, analyses or studies.

RESPONSE:

The Postal Service promotes both Express Mail and Special Delivery (see my response to APWU/USPS-T8-13). I am not aware of any decision to de-emphasize Special Delivery. Special Delivery is simply at the end of its product life cycle because of changing times, the availability of alternatives, and customer needs.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-44 With respect to international "Expres" Mail

- a. Explain the process by which the Postal Service attributes costs for Special Delivery Service supplied to International "Expres" Mail.
- b. Explain how the Postal Service obtains revenue for supplying international "Expres" Mail service.
- c. Provide a full accounting of the cost/revenue impact of elimination of this international service.

RESPONSE:

- a) Redirected to witness Patelunas.
- b) There is no additional charge; it is included in terminal dues. Please see Docket No. R94-1, Response to FEC/USPS-9(a).
- c) Objection filed.

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-T8-45 Please provide comparative annual advertising expenditures for 1970 through 1995 for Express Mail, Priority Mail and Special Delivery Service.

RESPONSE:

Redirected to witness Patelunas.

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 27, 1996

DECLARATION

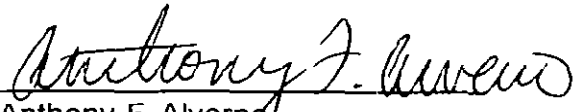
I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: August 29, 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

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
August 27, 1996