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

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SEP 18 4 38 PM '96

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

RESPONSE OF UNITED STATES POSTAL SERVICE
TO QUESTION OF THE OFFICE OF THE CONSUMER ADVOCATE
POSED AT THE HEARING ON SEPTEMBER 10, 1996
(September 18, 1996)

The United States Postal Service hereby provides its response to a question posed by the Office of the Consumer Advocate to witness Needham at the hearing on September 10, 1996. The question is stated verbatim, and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

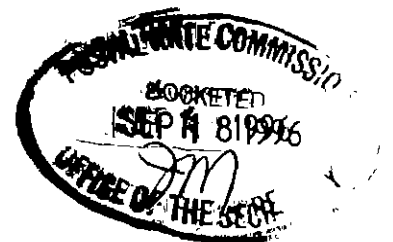
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September 18, 1996



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Question (Tr. 3/763-64):

Refer to POIR No. 3, question 3. At the bottom of the page you state "The proposal would reduce the \$2 fee to \$0, and make that fee apply uniformly to all offices lacking carrier delivery, whether postal-operated or contractor-operated."

If you would also refer to POIR No. 2, question 4. In the question, you are quoted as saying that "customers at CPOs administered by Group I offices who are ineligible for carrier delivery of any type may nonetheless qualify for one Group II box." This is the current situation.

In response, you state: "Under the Postal Service proposals, the general rule that CPOs administered by successors to Group I offices (Group A, B, and C offices) will charge the same fees as their parent offices may continue, be eliminated, or be expanded during the implementation effort."

Could you please clarify? Would the \$0 fee apply to CPOs administered by the successors to Group I offices?

RESPONSE:

The usual definition of "office" is an independent post office, which can be identified in postal data systems by its finance number. Nonetheless, "office" can also be a synonym for facility; a reference to "contractor-operated offices" uses this latter definition. Post offices may have oversight responsibility for classified (postal-operated) and contract (contractor-operated) stations and branches. See 39 C.F.R. § 241.2. Post offices may also supervise community post offices (CPOs); these contract units are neither classified nor contract stations or branches. A "delivery office" is a post office that offers any carrier delivery to any of its customers. The fact that a neighboring post office may offer carrier delivery in the vicinity of a post office without its own carriers, such as the San Luis Post Office, does not make the latter office a delivery office.

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Under the existing box fee structure, CPOs are sometimes treated as independent offices with their own box fee group, and other times as subordinate facilities, *i.e.*, like classified and contract stations and branches. The latter occurs when they are administered by Group I post offices, meaning that pursuant to DMM § D910.4.1 such CPOs charge the same Group I box fees as their administering offices. CPOs administered by Group II post offices, however, do not charge Group II fees, instead charging the reduced (*i.e.*, Group III) fees. See DMM § D910.4.5. The Group III fees are one of only two quite limited forms of recognition in the existing box fee structure that some customers may not be entitled to any form of carrier delivery, and should therefore get a break on box fees. The other, discussed below, is DMM § D910.4.3a, concerning Group I customers.

The box fee proposal seeks elimination of one acknowledged inequity in the existing structure: customers of postal-operated Group II offices that offer no carrier delivery will be eligible for the same reduced box fees as those at similar contractor-operated facilities. For purposes of practicality, the proposed box fee structure retains a foundation of the existing structure by defining fee groups, in part, upon whether the office provides carrier delivery.

A major goal of the Postal Service's proposal is to extend free box service to customers ineligible for carrier delivery from any office. The proposal begins to implement this goal by increasing the categories of customers eligible for a reduced

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fee (*i.e.*, \$0 for Group E). Under the proposal, local customers of all offices that provide no carrier delivery and who are ineligible for carrier delivery from any other office qualify for a Group E box, whereas under the existing fee structure, this is true for only some such customers.

An obstacle to reaching this major goal is the difficulty of determining which customers are ineligible for delivery. Were this information available in postal data systems, the proposed fee structure could more readily have abandoned the traditional focus upon offices in favor perhaps of an exclusive focus upon customers. The office-based approach chosen, moreover, has the additional advantage of permitting the forecasting of volume and revenue using existing data sources and two assumptions.^{1/}

Customers may be ineligible for delivery for several reasons,^{2/} and the fact that the proposal itself does not require all of them to be treated the same has been criticized as inequitable. In this regard, the proposal is an improvement over the existing box fee structure. More critically, rules developed during implementation

^{1/} The two assumptions are that box customers at contractor-operated Group II administered stations, branches, or CPOs (*i.e.*, existing Group III customers) are ineligible for carrier delivery while box customers at postal-operated facilities that offer no carrier delivery are eligible for carrier delivery from some office. The justifications for these assumptions are discussed in the response to POIR No. 2, question 5.

^{2/} The response to POIR No. 3, question 3, addresses the types of reasons why customers may be ineligible for delivery.

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may be able to target customers who are ineligible for carrier delivery in a way that extends to them the availability of a \$0 fee box.

Existing DMM § D910.4.3a is an example of the type of rule that could extend the availability of a Group E box more widely to customers ineligible for carrier delivery. DMM § D910.4.3a states in pertinent part:

Group 1 fees apply to customers at all facilities of a city delivery post office who are eligible for any kind of delivery by postal carrier. A customer ineligible for any kind of delivery by postal carrier may use one box at Group 2 fees.

Some Group I post offices have administrative responsibility for stations and branches that offer no carrier delivery and all of whose local customers are ineligible for delivery. Such stations and branches are technically Group I facilities, but since most or even all of their boxes are used by customers who qualify for a Group II box under DMM § D910.4.3a, they are sometimes considered by employees and customers (but not by postal data systems) to be Group II facilities.

The principle of DMM § D910.4.3a could be used during implementation to extend eligibility for a Group E box to all customers who are ineligible for carrier delivery. Significant other details such as where the Group E boxes would be made available, what standards will apply to determine which customers are ineligible for

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delivery -- and perhaps why they are ineligible,^{3/} the need to minimize the costs of administering the fee schedule, and -- of course -- whether the current bifurcated treatment of CPOs should change, will also receive attention during implementation.

The four paragraphs of the question can accordingly be understood as follows. The first paragraph explains that the existing reduced fee in Group III offices will be extended in the form of a further reduced \$0 Group E fee to include, in addition to contractor-operated facilities lacking carrier delivery, similar postal-operated offices. This paragraph does not directly apply to CPOs administered by Group I offices, because of the current treatment of these CPOs as subordinate facilities, rather than offices. Instead, as presented in the second paragraph, an existing regulation, DMM § D910.4.3a, provides another form of reduced box fee (Group II) to customers, including those at CPOs, who are ineligible for delivery in Group I offices. The third paragraph acknowledges that this regulation might be retained, or changed, during implementation. In particular, the regulation could be rewritten to offer Group A, B, or C customers who are ineligible for delivery one box at the Group E fee of \$0. Alternatively, implementation might end the bifurcated treatment of Group I and II-

^{3/} The response to POIR-3, question 3, notes that reasonable distinctions between customers ineligible for carrier delivery could be based upon the reason for ineligibility. It might be appropriate, for example, to distinguish customers who are ineligible because they have chosen to live in a remote area from those who are ineligible because of the Postal Service's quarter-mile rule.


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administered CPOs under the existing box fee structure, so that all CPOs are treated as offices (in which case virtually all CPOs would be Group E), or all CPOs are considered subordinate facilities. The fourth paragraph requests the clarification presented above and inquires whether the \$0 fee would apply to CPOs administered by the successor to Group I offices. The \$0 fee would generally apply if Group I CPOs are treated as offices, or if DMM § D910.4.3a is rewritten to offer customers of current Group I offices who are ineligible for delivery one box at the Group E fee.

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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