

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
DAVID B. POPKIN
(DBP/USPS-T8-35-45)

The United States Postal Service hereby provides responses of witness Needham to the following interrogatories of David B. Popkin: DBP/USPS-T8-35-45, filed on October 4, 1996.

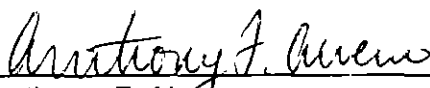
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

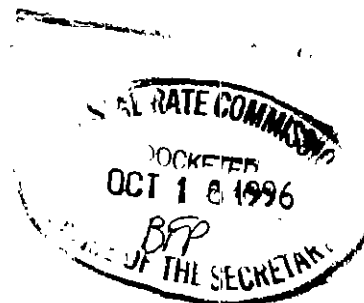
UNITED STATES POSTAL SERVICE

By its attorneys:

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October 18, 1996



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-35 I am still somewhat confused by your response to DBP/USPS-T8-14[e], [g], and [l]. You refer to the attachment to DBP/USPS-T8-3. [a] Should that reference be to DBP/USPS-T1-3 redirected from Witness Lyons - namely the letter dated August 1, 1996 to District Managers from Sandra D. Curran? [b] If not, explain.

RESPONSE:

- a. Confirmed
- b. Not applicable

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-36 The letter to all District Managers dated August 1, 1996 provided on the September 11, 1996 revised response to DBP/USPS-T1-3 when taken together with the responses to DBP/USPS-T8-14 [e], [g], [i], and [k] leaves me confused. Your response to parts [e], [g], and [i] appears to refer to both the DMMTB and to and to the August 1, 1996 letter. Your response to part [k] seems to state that there is a 100% requirement to complete the return receipt at the time of delivery. The August 1, 1996 letter appears to indicate in the first bullet item [paragraph #4] that delivery offices should review current delivery arrangements regarding practices such as handing over accountable mail to be signed for at a "later" more convenient time. The fourth bullet item [the first paragraph on page 2] appears to indicate that long standing, unofficial arrangements that promote exceptions to stated procedures for "convenience" need to be reviewed and voided if necessary. The following paragraph appears to indicate that any of these arrangements should not be tolerated. [a] Does the first bullet item of the August 1, 1996 letter allow a delivery office to review and then retain delivery arrangements which allow for handing over accountable mail to be signed for at a "later", more convenient time? [b] If not, why is the letter written so as to imply that it could be done? [c] If so, what is the authority for allowing this to be done? [d] Does the fourth bullet item allow long standing, unofficial arrangements to be reviewed and then retained ? [e] If not, why is the letter written so as to imply that it could be done? [f] Does your response to parts [e], [g], and [i] indicate that there are exceptions to the various manual references that you have provided? [g] If so, provide a complete listing of all exceptions that are either authorized or condoned and the authority for each exception.

RESPONSE:

- a. That is not my understanding.
- b. I do not see that implication.
- c. Not applicable.
- d. That is not my understanding.
- e. I do not see that implication.
- f. No.
- g. Not applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-37 In your response to DBP/USPS-T8-24 parts [i] through [jj], you, indicated that you were unable to identify specific figures in the \$0-25,000 value increments for which costs vary. If you are unable to identify the greater security or care that is being provided for each of the value increments, then I request an institutional response to parts [i] through [jj] of my original - interrogatory.

RESPONSE:

Although handling procedures vary depending upon value, there are no studies on the cost variability for additional security and care provided for articles between \$0-\$25,000 value. Unless otherwise specified, local officials determine security requirements based upon their interpretation of the "high value" articles, "minimum value" articles, or "valuable" articles in Handbook DM 901. One such example is found in Handbook DM 901 section 732. That provision establishes that stationary postal units should provide a vault, separate cage, or locked container for "valuable" registered mail. Local officials are given discretion to determine the value of articles to be placed in the valuable unit, but such value cannot be less than \$1,000.00.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-38 In your response to DBP/USPS-T8-24 part [ss], you refer to four pages of attachments. Which specific sections of this manual provide the details of how this need for special security or care is communicated as the article passes through the system to delivery?

RESPONSE:

The attachment provided in response to part [ss] of DBP/USPS-T8-24 contains the procedure for handling valuable registered articles. Sections 430, 440, 450, 460, 480, 537, and 732 provide that determinations of value of registry pieces will need to be made. Such determinations can be communicated, either expressly or implicitly, as registered mail pieces travel through the system.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-39 [a] Your response to DBP/USPS-T8-25 part [e] indicates "Not applicable". Does this mean that there are no other cells that meet the condition? [b] if not, what does it mean? [c] Are there any other cells meeting the condition?

RESPONSE:

- a) Confirmed.
- b) Not applicable.
- c) See answer to subpart a.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T-8-40 In your response to DBP/USPS-T-8-25[I], you mention six considerations regarding the difference between Standard Mail - Insured and Priority Mail - Registered. In my opinion each of these six considerations *either are similar for both services or favor the less expensive Priority Mail - Registered* [except for perhaps the requirement for sealing the registered mail]. For each of the six considerations, itemize how they would differ between the two services and indicate any advantages that would be held by the more expensive Standard Mail - Insured rate.

RESPONSE:

These considerations were cited as examples of service features that customers will take into account as they decide which product to choose. The point here is that it is up to the customers to evaluate these considerations in the context of their particular needs and choose accordingly.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-41 In your response to DBP/USPS-T8-27, you indicate that there were 12 claims that exceeded \$500, that the second highest claim was \$1588.18, and that the average of the 2nd through 12th highest claims was \$779.26. [a] Was there any consideration given to reducing the \$50,000 limit down to a higher number than the proposed \$500 limit so as to include some or all of these claims. [b] If not, why not? [c] If so, why was it not adopted?

RESPONSE:

a - b) No. I must emphasize that the Postal Service proposes an indemnity limit for document reconstruction that exceeds the average paid document reconstruction claim by several multiples. Adjusting the limit to \$500 would provide more than adequate payment for the average payable claim of approximately \$100. As noted in my response to DBP/USPS-T8-27, approximately 99 percent of the claims paid in FY 1995 were below the proposed maximum of \$500. I would also note that a subsequent search of FY 96 paid claims data revealed that only four paid Express Mail document reconstruction claims, out of a total of 732 paid document reconstruction claims in FY 96, or less than six tenths of one percent of all such claims, exceeded \$500. The amount paid for these claims was, from highest to lowest, \$1350.00, \$928.95, \$570.00, and \$595.00. As discussed in my direct testimony, a reduction in the limit to \$500 would reduce Postal Service administrative costs and enhance customer satisfaction by making the scope and nature of the coverage clearer (USPS-T-8 at pp. 56-57). These interests

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

are better served if the proposed limit is set to cover the virtually all paid claims rather than set at some higher level that would cover every paid claim.

c) Not applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-42 Regarding your response to DBP/USPS-T8-30, [a] what specific part[s] of the three pages provided as an attachment to your response provide the definition of the term "philatelic card product" as utilized in your previous response? [b] If I insert quotation marks before the "A" and after "messages" can you then confirm the Section 222.11 of the Classification Schedule - both present and proposed wording? [c] If not, why not and provide the definition. [d] Which philatelic card products are not cards? [e] May philatelic card products which do not have the postage canceled be utilized in the transmission of messages? [f] If not, why not? [g] Does a philatelic card product, other than one on which the postage has been canceled, meet all of the requirements to qualify it as a Postal/Stamped card as specified in the Classification Schedule? [h] If not, why not? [i] What is the significance of the last clause in your response to parts [i-1]? [j] Which philatelic card products are used for collection purposes only? [k] What characteristics of the philatelic card product render it usable for collection purposes only? [l] If I decide to utilize a philatelic card product for collection purposes, am I later allowed to utilize if [sic] for mailing purposes if the postage has not been canceled? [m] If not, why not? [n] Which section of the Postal Reorganization Act provides the authority for pricing philatelic card products different than Postal or Stamped cards? [o] Is the pricing of philatelic cards different than that for postal or stamped cards? [p] If not, explain. [q] Your response to the original part [o] did not provide the name and title of the Postal Service officer or employee who is responsible for pricing philatelic card products at a price which is different than postal/stamped cards. The pricing is different and whether or not that is appropriate is not necessary for you to agree to in order to respond to the question. What is the appropriate name and title of the responsible officer or employee?

RESPONSE:

a) As indicated in my response to DBP/USPS-T8-30(a), the three pages from the *Stamps, Etc.* catalog provide a product description. There is no language in the DMCS defining philatelic card products. I would also note that the Domestic Mail Manual Transition Book 162.3 provides that, "[p]hilatelic

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

products are designed and sold to promote the enjoyment and the informative value of stamp collecting.” That description also pertains to philatelic card products.

b-c) The language is as written and proposed in attachment A to the Request, which reads as follows:

222.11 [Postal] Stamped Card. A [postal] stamped card is a card with postage imprinted or impressed on it and supplied by the Postal Service for the transmission of messages.

d) None. Philatelic card products are cards.

e-f) Yes, if the customer elects to use them for that purpose. Customers may, however, elect to save them for collections.

g-h) Yes, but sizes of certain cards, such as the Olympic series, are not the same as plain postal cards. The primary purpose of a philatelic card product may not be for the transmission of messages, but rather for the enjoyment and informative value of collecting.

i-j) As described in the attachment to DBP/USPS-T8-30, items such as the Civil War Collectible Postal Card Sets can either be bought with first day cancellations or in uncanceled sets. Canceled cards cannot be used independently for the transmission of messages through the mail, but rather are intended to be used as collectibles. Uncanceled card sets are philatelic

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

products and can be used as collectibles. Philatelic products are intended for collectors.

k) Philatelic card products are attractive to collectors because they are more limited in terms of number manufactured, have commemorative designs in the indicium and on the face opposite the face containing postage, and possess craftsmanship and quality that makes them suitable for framing or display.

l-m) That choice is available according to DMM P022.2.0.

n) I am not an attorney and cannot provide specific legal citations to the Postal Reorganization Act on this subject.

o-p) Yes.

q) In general, I do not see the relevance of collectible pricing to the present proceeding. Philatelic products are not at issue here. In the interest of being as helpful and responsive as possible, the Manager of Stamp Services, the office which prices philatelic products, is Azeezaly Jaffer. Again, I do not accept your implication that postal or stamped card prices must apply to philatelic card products.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-43 Your response to DBP/USPS-T8-31 appears to have failed to take into account the sentence in the original interrogatory which starts, "Your response must be based on the existing postal regulations." I am not looking for a general comparison between the delivery of Express Mail or Special Delivery. Nor am I looking for what is likely to take place in the system because of a lack of understanding of the regulations. Nor am I looking for a comparison of the total time from mailing to delivery which would include the overall transportation of the mail. What I am looking for are three very specific comparisons based on the postal regulations for the delivery of the mail. Please respond to the original interrogatory.

RESPONSE:

Special delivery is a service at the end of its life cycle. Over the last 25 years, annual volume has plummeted from 110.1 million pieces per year to 300,000 pieces a year (USPS-T-8 at pp. 116-136). I know of no particular instance where a Special Delivery article arriving at an area mail processing center at the same time as an Express Mail article would be dispatched earlier to the delivery post office.

According to postal regulations, if an Express Mail piece and a Special Delivery piece arrive at the delivery post office at the same time, it is possible that the Special Delivery article could be dispatched sooner. For example, if an Express Mail piece arriving at the delivery post office at 5:00 a.m. could be delivered by the guaranteed delivery time of noon by the regular carrier, it would be dispatched with the regular day's mail. A special delivery piece arriving at 5:00 a.m. could be dispatched sooner in accordance with Postal

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

Service regulations, although this is highly unlikely. Postal regulations governing the hours and frequency of Special Delivery mail are contained in Section 915.5 of the Domestic Mail Manual Transition Book.

Please note that the above example focuses only on the delivery post office.

Express Mail receives a higher level of service because it offers features such as guaranteed delivery, expedited transportation from the originating post office, and insurance.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-44 [a] Does the last sentence in your response to interrogatory DBP/USPS-T8-33[a] indicate that there will be shipping and handling charges on PFSC included in the rates being proposed in this proceeding? [b] If not, what is the significance of the sentence in your response? [c] If so, provide the details of the other costs?

RESPONSE:

- a) No.
- b) This sentence was simply added as a point of clarification for your benefit.
- c) Not applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
NEEDHAM TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T8-45 Please respond to the four parts of DBP/USPS-T8-35 if we restrict the USPS employees or consultants to those that are responsible for the setting of rates.

RESPONSE:

The interrogatory to which you refer above is completely unrelated to the subject matter of this interrogatory.

DECLARATION

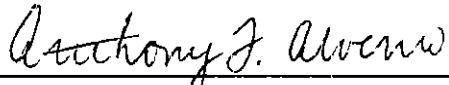
I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: October 18, 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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October 18, 1996