ORIGINAL

005736

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

RECEIVED
OCT 23 4 28 PM '96
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996	Docket No. MC96-3

RESPONSE OF UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4,
(QUESTIONS 1-6, 10, AND 16(C))
(October 23, 1996)

The United States Postal Service hereby provides responses to the following questions of Presiding Officer's Information Request No. 4, filed on October 2, 1996: 1-6, 10, and 16(c). On October 15, 1996, the Postal Service filed responses to questions 7, 8, 9, and 12; on October 16, 1996, the Postal Service filed a response to question 17; on October 17, 1996, the Postal Service filed responses to questions 11 and 15; and on October 18, 1996, the Postal Service filed responses to questions 13, 14, and 16(a)-(b) and (d)-(e). A motion for extension of time to respond to questions 1-6, 10, and 16(c) was filed on October 18, 1996.

Each question 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

David H. Rubin

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 23, 1996

POSTAL RATE COMMISSION
DOCKETED
OCT 23 1996
OFFICE OF THE SECRETARY

1. Refer to the following statements.

a. "Non-residents would be defined as those individual or business boxholders whose residence or place of business is not located within the 5-digit ZIP Code area of the office where box service is obtained." USPS T-7, p. 23-24.

b. "Box customers are considered non-residents when they obtain box service in post offices that are not responsible for delivery to the customers' street addresses." USPS T-7, p. 33.

c. "You would be considered a resident in the post office that provides your mail delivery." Tr. 3/804.

d. There are some residents in non-delivery offices who are eligible to receive delivery from other offices, for example: San Luis, Arizona. USPS-T-3, p. 5.

These statements appear to conflict, please reconcile or correct.

RESPONSE:

The four statements are consistent with each other. The first two statements describe the general concept that a non-resident is a boxholder who does not live within the perimeter of the delivery area ZIP Code for the post office at which the box service is obtained. The third statement was made in response to a question about whether a customer could avoid the non-resident fee if he or she lives in a New York apartment building with its own unique five-digit ZIP Code. My response indicated that a customer can avoid the non-resident fee at the post office that provides his or her mail delivery. I specifically referred to the particular 5-digit ZIP Code facility that provides carrier delivery to the building. However, as set forth below -- and in more detailed form in the First Status Report, filed contemporaneously with these responses to POIR-4, that New York customer will have still other options for avoiding the non-resident fee. The last statement concerns someone who lives in the vicinity of a non-delivery office, such as San Luis, but receives delivery from another office. The word "resident" as used in subpart d of the question refers to the general meaning of that word, and is not intended to specify the customer's residency status for purposes of the non-resident fee. *See* Tr. 3/482-83.

A "non-resident fee" is in reality an "alternate service fee" for a postal customer who elects to receive mail via a method other than the free method provided by the Postal Service.

The applicability of the non-resident fee is straightforward when one post office serves and provides delivery for a single ZIP Code delivery area. All customers living within the perimeter of the delivery area ZIP Code would be residents. Persons living outside the perimeter would be non-residents and subject to the non-resident fee.

However, a literal application of the non-resident fee on a 5-digit ZIP Code basis could operate to make a large number of existing boxholders non-residents, particularly customers of multi-facility, multi-ZIP Code independent post offices. The Postal Service has therefore commited itself in the implementation effort to the principle that a boxholder who is eligible for delivery from one facility of a multi-ZIP post office will be treated as a resident at any facility assigned to that post office. This and other decisions are further elaborated upon in the First Status Report.

2. In response to POIR No. 2, Question 5, item c, witness Needham confirmed that box customers of the San Luis Post Office are charged Group II fees and will be charged Group D fees under the Postal Service's proposal. During oral cross examination, witness Needham indicated that resident boxholders at San Luis would receive free boxes. Tr. 4/1292-93. Please reconcile these apparently conflicting statements.

RESPONSE:

The response to POIR No. 2, Question 5, begins with "For purposes of answering these questions, as well as for the revenue projections relied upon in the Postal Service proposals, two assumptions are necessary." The response then proceeds to explain what the two assumptions are, that they are used to permit projection of volumes and revenues given the constraints of existing data systems, and why they are "usually" but not "always" true. Item c to Question 5 was thus answered in conformity with the first sentence of the answer.

My testimony at Tr. 4/1292-93 was not similarly constrained by the assumptions but conforms with the proposed DMCS language which states that the proposed $0 semi-annual fee applies at "offices that do not offer any carrier service." *See* Attachment B at page 5 to the Postal Service Request. The San Luis Post Office represents an exception to the revenue-projection assumption that all customers of postal-operated non-delivery offices are in fact eligible for carrier delivery from some other office. Resident boxholders at the San Luis Post Office thus would receive free boxes.

3. Refer to Exhibit A on the next page. Question marks indicate situations where uncertainty exists due to conflicting statements on the record. Please correct any inaccuracies and resolve conflicts.

RESPONSE:

Group I Offices, and Their A, B, and C Successors:

Exhibit A indicates the source of some, but not all, of its premises and conclusions while pointing out three areas of doubt. This response does not limit itself to these three areas, but instead discusses each part of the Exhibit which appears to warrant further explanation.

Regarding Group I customers, the third conclusion, but not the first two, is qualified by "whether or not eligible for delivery." As the First Status Report indicates, however, the Postal Service intends that all successor fee groups to the former Group I should be treated alike. Thus, all customers at Group A, B, or C offices who are ineligible for carrier delivery (for any reason other than the quarter-mile rule) are expected to be be entitled to a Group E box. *See* First Status Report. The qualification in Exhibit A therefore incorrectly distinguishes Group C from Groups A and B and fails to reflect that customers at Group A and B offices also may qualify for a Group E box if they are ineligible for carrier delivery.

As stated on page four of the Response of United States Postal Service to Question of the Office of the Consumer Advocate Posted at the Hearing on September 10 (hereafter "Response to Hearing Question"), filed September 18, existing Domestic Mail Manual (DMM) § D910.4.3a provides a reduced fee at Group I offices for customers who are ineligible for any kind of carrier delivery, and its principle "could be used during implementation to extend eligibility for a Group E box to all customers who are ineligible for delivery." As set forth in the First Status Report, this extension appears likely for all but quarter-mile customers.

Group II Offices and Their D Successors:

The first area of doubt in Exhibit A regarding box fees in successor offices to Group II concerns my statements at Tr. 3/885-86 and Tr. 3/881. Exhibit A does not accurately characterize these two statements; nor are they inconsistent with one another.

At the bottom of transcript page 885, Chairman Gleiman asked what fees would be paid by customers of an office that provides carrier delivery to some, but not all, of its [apparently local] customers. I responded correctly that "[s]hort of the final implementation" none of the customers would receive free boxes. The Postal Service Request consists of proposed changes to the DMCS, and the proposed language extends Group E fees only to offices that offer no carrier delivery. Hence, the proposed office-based DMCS language would not itself extend free boxes to customers of an office that provides carrier delivery to only some of its customers. However, as discussed in these responses, including the First Status Report, implementation is expected to extend free box service to additional customers who are ineligible for carrier delivery.

Exhibit A cites to Tr. 3/881 for the proposition that local customers (1) of an office that provides delivery to some, but not all, of its customers, who (2) are ineligible for delivery, (3) will pay Group E ($0) fees. As explained in the previous paragraph, this outcome is not required by the proposed DMCS language, although this is likely to be the proposed implementation standard.

The thrust of Commissioner LeBlanc's line of questions at Tr. 3/880-81 is whether two fees will be charged for the same size box at the same office. The correct answer, which I provided at that time, is "yes", since the Postal Service's proposal states that customers at Group E offices who are eligible for delivery pay Group D fees, rather than the Group E fees payable by customers who are not eligible for delivery. My response was specifically limited to Group E offices: At line 11 on page 881, I qualified my statement that a customer ineligible for delivery would pay a $0 fee with the words, "if they are in a nondelivery office." Thus, this statement is incorrectly applied in Exhibit A to Group II offices. As explained in the First Status Report, however, three fees would be possible at Group A through D offices: the basic fee for residents, the non-resident fee, and, for customers ineligible for carrier delivery, the Group E fee.

The second area of doubt in Exhibit A with respect to Group II offices contrasts witness Lyons' workpapers with the Response to Hearing Question regarding the fees to be paid by resident customers of a postal-operated office that provides no carrier delivery. The former indicates that for purposes of estimating volume and revenue, such customers are assumed to pay Group D fees, while the latter indicates that such customers will pay Group E fees. The proposed DMCS language would require that such customers pay Group E fees, if they are not eligible for carrier delivery, since they are obtaining box service from a non-delivery post office. The statement in witness Lyons' workpapers is based upon the two assumptions used to project volume and revenues that are described more fully in the response to POIR No. 2, question 5.

Group III Offices and Their E Successors

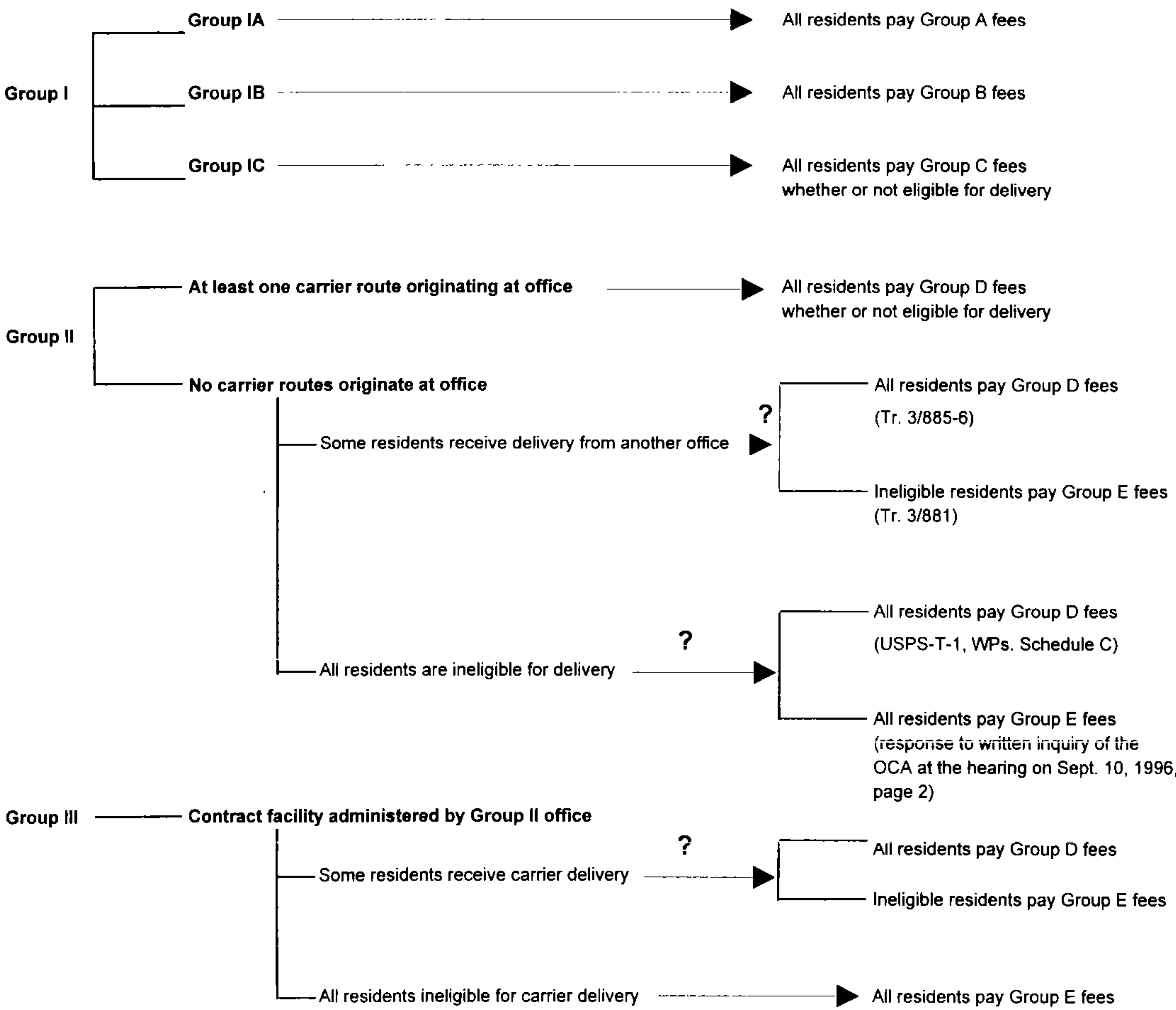
The third question posed by Exhibit A pertains to Group III offices, which are contractor-operated facilities administered by Group II offices. When some resident customers of a Group III office are eligible for carrier delivery, the question asks whether all customers would pay Group D fees or those ineligible for delivery would instead pay Group E fees.

It is worth noting, as reflected in the First Status Report, that the Postal Service has committed itself to the principle that all contract facilities, including community post offices, should charge the same fees as their administering post offices.[1/] Group E **offices** would thus include only postal-operated non-delivery offices, but the pool of customers ineligible for delivery and thus eligible for a Group E box at other offices would expand the universe of Group E **customers**. The First Status Report addresses this in greater detail.

This will not affect the proposed fees paid by customers at Group III CPOs, which will still be determined by the customers' eligibility for delivery. Since the fees for former Group III offices will be the same as those for the administering Group D office, a current Group III customer who is not eligible for carrier delivery is expected to qualify for a box at the Group E fee. I expect this circumstance to apply to most Group III customers.

[/] This answers the question expressly reserved in the second paragraph of the Response to POIR No. 2, question 4.

Exhibit A


Group I
Group IA
All residents pay Group A fees
Group IB
All residents pay Group B fees
Group IC
All residents pay Group C fees whether or not eligible for delivery
Group II
At least one carrier route originating at office
All residents pay Group D fees whether or not eligible for delivery
No carrier routes originate at office
Some residents receive delivery from another office
?
All residents pay Group D fees (Tr. 3/885-6)
Ineligible residents pay Group E fees (Tr. 3/881)
All residents are ineligible for delivery
?
All residents pay Group D fees (USPS-T-1, WPs. Schedule C)
All residents pay Group E fees (response to written inquiry of the OCA at the hearing on Sept. 10, 1996, page 2)
Group III
Contract facility administered by Group II office
Some residents receive carrier delivery
?
All residents pay Group D fees
Ineligible residents pay Group E fees
All residents ineligible for carrier delivery
All residents pay Group E fees

4. In the Response Of The United States Postal Service To Written Inquiry Of The Office of The Consumer Advocate At The Hearing On September 10, 1996, at page 3, the Postal Service states "the fact that the proposal itself does not require [customers ineligible for delivery] to be treated the same has been criticized as inequitable. In this regard, the proposal is an improvement over the existing box fee structure." Why does the Service consider the proposal an improvement over the existing box fee structure when it increases the price gap between customers ineligible for delivery in Group III offices and customers ineligible for delivery in Group II offices 167 percent, from $6 annually ($8 - $2) to $16 annually ($16 - $0)?

RESPONSE:

Currently, the $2 fee is applied only to customers at contractor-operated facilities lacking carrier delivery, but not to comparable postal-operated offices. The Postal Service's proposal reduces inequity by addressing, in two ways, the extent to which the existing fee structure is both under- and over-inclusive with respect to which customers are entitled to a reduced fee box. First, customers at postal-operated offices offering no carrier delivery would, if the customers themselves are also ineligible for carrier delivery from elsewhere, become entitled to a Group E box, thus eliminating a comparatively large area of under-inclusion. Second, customers at contractor-operated facilities who are eligible for carrier delivery would lose their entitlement to a reduced fee box, thus eliminating a relatively smaller area of over-inclusion.

While the gap between proposed Group D and Group E fees is larger than the existing gap between Group II and III fees, these Groups are being redefined to improve the similarities of customers within each group, and increase the distinction between the two groups. In fact, implementation standards seek to make the Group E fee available to most Group D customers who are ineligible for carrier delivery. See the First Status Report for additional discussion of this point. The bottom line is that the proposal is more equitable than the existing fee schedule because it will bring much greater uniformity than now exists in affording customers ineligible for carrier delivery a break in box fees.

5. In response to POIR No. 3, Question 3, witness Needham states that the USPS proposal sets box fees on the basis of "the type of carrier delivery an office provides." The revenue projections are made on the assumption that all boxes of a post office will have the same fee category designation; i.e., a single post office will not have both free and fee boxes of the same size. During cross examination, witness Needham stated that a Post Office would charge different fees to different customers depending on whether they were eligible for carrier delivery. In particular, a non delivery office, under the USPS proposal, will offer free boxes to all customers ineligible for carrier delivery from any postal facility, but charge those customers eligible for delivery from another office. Tr. 3/881.

a. Please state whether or not the Postal Service intends to offer both free and fee boxes of the same size at the same office.

b. If the Commission recommends this aspect of the Service's proposal how will this information be reflected in the Domestic Mail Classification Schedule or the Domestic Mail Manual?

c. Please discuss how the status of a customer claiming to be ineligible for delivery will be verified.

d. Please discuss how the fee will be set for the customer eligible for delivery, particularly in the case where the non-delivery office receives requests for boxes from customers receiving delivery from city routes and from customers receiving delivery from rural routes.

e. What analysis has been conducted concerning the administrative burdens of charging different fees for the same size box at the same post office based on whether or not the customer is eligible for delivery?

RESPONSE:

a. As indicated in the Response to POIR No. 4, question 3, the DMCS language proposed by the Postal Service requires this result at Group E offices. Resident customers eligible for carrier delivery who seek box service at a non-delivery office would be required by the second footnote in proposed Schedule SS-10 to pay Group D fees. As discussed in greater detail in the First Status Report, making a free box available to customers ineligible for carrier delivery at Group A through D offices will also lead to different fees being charged at those offices.

b. The appropriate DMCS language appears in Attachment B to the Request. DMM language has not been completed, although the responses to this POIR, including the First Status Report, significantly advance the public record on what the proposed regulations are expected to contain. The Postal Service intends to use the flexibility inherent in the adoption of DMM regulations in order to accommodate the variety of communities' needs. As previously indicated, progress reports will be provided regarding the status of implementation efforts and the First Status Report is being filed today.

c. I understand that the procedures for address verification have not been finalized, but they are intended to build upon existing procedures. The physical address of box customers must already be verified under postal regulations. Tr. 3/449-50 (response to OCA/USPS-T3-12). The only addition to this process that will be needed is to determine whether that address is eligible for delivery. This should be straightforward if the office at which box service is sought itself offers delivery to that address but may prove more difficult if multiple offices are involved.

The Postal Service will use the implementation process to simplify the administrative tasks necessary to determine who is eligible for free box service. In the long run, the Postal Service expects the box fee proposal, if implemented, to result in greater awareness of which customers are or are not eligible for delivery, thus diminishing over time the challenge in verifying residence status and eligibility for delivery.

d. The proposed DMCS language, particularly footnote 2 to Schedule SS-10, focuses upon customer eligibility for delivery without distinguishing between those eligible for city as opposed to non-city carrier delivery. It moreover specifies that customers who are eligible for delivery will all pay the same Group D fees.

e. The Postal Service recognizes that charging multiple fees in a single office reduces simplicity. Therefore, the proposed DMCS language retains the historical focus upon offices. An alternative DMCS approach is to entitle all customers who are ineligible for delivery to a free box.[2/] This approach might make for stronger arguments regarding the fairness and equity of the proposal, but it would also place in the DMCS a requirement that all types of offices provide dual fee structures, withdrawing flexibility concerning administrative burdens. The Postal Service believes that the appropriate internal processes to mitigate this burden should be determined during the implementation process. Analysis of any burdens of verifying residence and eligibility for delivery, and of administering two or three fee structures in an office, is part of that activity. In developing implementation plans, the Postal Service will keep the Commission advised as decisions are reached on these and similar topics.

[2/] This could be accomplished by eliminating the proposed Group E (*i.e.*, paragraph B on page 5 of Attachment B to the Request); incorporating all offices into Groups A through D; and adding a footnote, for all offices, that customers who are determined by the Postal Service to be ineligible for delivery can obtain box service at no charge. Since the Postal Service is not at this time proposing free boxes for customers subject to the quarter-mile rule (*see* First Status Report), this exception to the general rule would also need to be stated in the footnote.

C05750

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 23, 1996

RESPONSE OF POSTAL SERVICE WITNESS LYONS TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4, QUESTION 6

6. The information presented in this case creates ambiguity on exactly what constitutes the proposal for Post Office Box fees that the USPS is asking the Commission to consider. For example, the cost and revenue analysis assumes that no Group II offices will be provided free boxes. USPS-T-1, WP Schedule C. Yet, definite statements have been made that all customers of non-delivery offices will receive free boxes unless they are eligible for delivery from some other office. Tr. 4/1292-3. Then, in the September 18, 1996, response of the USPS to a question of the OCA posed at the hearing on September 10, 1996, it is stated that "a major goal of the Postal Service's proposal is to extend free box service to customers ineligible for carrier delivery from any office."

Should the Commission consider the proposal of the USPS on free boxes to be: (a) that which is reflected in the revenue analyses; (b) that which can be extracted from the collection of statements concerning who is being promised free boxes; (c) the "goal" of free boxes for all those ineligible for carrier delivery. To assist the Commission and parties assess the impact of the various interpretations that are possible, please clarify what is being proposed. Also, please provide an analysis of the minimum, maximum and likely impact on net projected revenues if the USPS proposal does include free boxes for all customers ineligible for carrier delivery from any office who are served by a Group II non-delivery office and, as a separate case, if the USPS goal of free boxes for all customers not eligible for carrier deliver regardless of office designation is achieved.

RESPONSE:

The Postal Service's proposal is reflected in the DMCS language presented in its Request. Thus, free boxes would be required only when offices offer no form of carrier delivery. Statements of Postal Service witnesses in testimony and cross-examination that go beyond the limits of the proposed DMCS language were provided as descriptions of expectations rather than as binding commitments.[1] The responses to

[1] In most cases witnesses have so stated.

RESPONSE OF POSTAL SERVICE WITNESS LYONS TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4, QUESTION 6

POIR No. 4, including the First Status Report, do, however, go beyond the DMCS language to present implementation decisions as they have emerged.

In considering the Postal Service's limited proposal to offer boxes at $0 in non-delivery offices, the Commission should be aware that the Postal Service, through its implementation process, is seriously considering the extension of free boxes to all customers who are not eligible for carrier delivery, except for those who reside within a quarter-mile of post offices. The First Status Report, which addresses details of post office box service that have traditionally been within the regulatory discretion of the Postal Service, should resolve some of the fairness and equity concerns of the Commission.

The Postal Service estimates that between 50 and 90 percent of boxholders at Group III offices are ineligible for carrier delivery from any office, and thus would receive boxes at no charge, rather than $2.[2/] There could be as few as 338,510 or as many as 2,707,964 Group III boxholders. *See* witness Lion's response to POIR No. 1, Question 10, as revised September 3, 1996. Thus, the revenue loss would range from $338,510 (338,510 x .50 x $2) to $4,874,335 (2,707,964 x .90 x $2), rather than the $5,415,928 loss shown in my workpaper D, page 8. I believe that the likely revenue loss will be

---

[2/] In my workpaper D, we assumed that all customers at contractor-operated facilities were ineligible for carrier delivery. We know this is not universally true, but that it is believed to be more true than not. Accordingly, a range of 50% to 90% ineligible is adopted.

RESPONSE OF POSTAL SERVICE WITNESS LYONS TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4, QUESTION 6

about $600,000, using the 338,510 box count with about 90 percent ineligible for delivery.

The Postal Service estimates that there are 1,460,254 boxholders at Group II non-delivery offices. This total is broken down by box size in the response of witness Lyons to question 7(a) of POIR No. 2. Between 10 and 50 percent of boxholders at Group II non-delivery offices are estimated to be ineligible for carrier delivery from any office.[3/] These customers would receive boxes at no charge, instead of paying Group D fees as assumed in my workpapers C and D. The resulting lost revenue would range from $1,490,055 to $7,450,277, with a likely result at the midpoint, or $4,470,166.

If the Postal Service goals of extending free boxes to customers at delivery offices are achieved, as presented in the First Status Report, the Postal Service expects that the minimum impact on revenues would be $0, since there may be no customers affected. However, up to 2 percent of Group IC customers, and 4 percent of Group II customers, might become eligible for a free box.[4/] These Group IC customers

---

[3/] My workpapers assumed that all of these customers were in fact eligible for delivery; this is believed to be more true than not. Accordingly, we will assume a range of 50% to 90% eligibility.

[4/] A proportion of customers at existing Group II delivery offices will see a fee drop from $8 to $0 based upon their individual ineligibility for delivery. The vast majority of these customers live close to a post office and are ineligible because of the quarter-mile rule -- which is not scheduled for recission at this time. The pool of customers ineligible for other reasons is believed to be very small; in order to avoid understating the financial impact, we have assumed that 4% of customers at Group II delivery

RESPONSE OF POSTAL SERVICE WITNESS LYONS TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4, QUESTION 6

who are ineligible for carrier delivery are assumed to be paying Group II fees, according to DMM § D910.4.3a. Assuming that 2 percent of the Group IC boxholders from each box size would receive boxes at no charge, rather than at Group II fees, the lost revenue would be $1,667,556. The likely revenue loss would be half of this amount, or $833,778.

Total boxholders at Group II delivery offices can be determined by subtracting out the Group II boxholders at non-delivery offices, as reported in my response to POIR No. 2, question 7(a). Assuming that 4 percent of the remaining boxholders from each box size would receive boxes at no charge, rather than at Group II fees, the lost revenue would be $2,709,733. The likely revenue loss would be half of this amount, or $1,354,867.

In summary, the total revenue loss for current Group III and Group II non-delivery offices, combined, ranges from $1,828,565 to $12,324,612, with a likely amount of $5,070,166. The total likely revenue loss for all customers expected to receive boxes at

---

offices are ineligible for carrier delivery for reasons other than the quarter-mile rule. Much as there will be customers at Group II delivery offices who are ineligible for reasons other than the quarter-mile rule, there are some such customers at Group Ic offices. However, under DMM D910.4.3a, these Group Ic customers should now be paying Group II fees. (There are not believed to be any such customers at Group Ia or Group Ib offices.) In keeping with the effort not to understate these potential losses, we are assuming that Group Ic offices have half the rate of customer eligibility at Group II offices, or 2%.

RESPONSE OF POSTAL SERVICE WITNESS LYONS TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4, QUESTION 6

no charge would range from $1,828,565 to $16,701,901, with a likely amount of $7,258,811.

RESPONSE OF POSTAL SERVICE WITNESS LYONS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

16. CRA. In response to Presiding Officer's Information Request No. 3, question 7, witness. Patelunas states that "... the special study is meant to capture costs that may not be captured in the CRA as return receipt costs." He also states that a portion of return receipt costs are included in U.S. Postal Service penalty mail attributable costs as well as in "other" special services. Further, he observes that the city carrier street cost system does not collect information on the time a carrier spends obtaining a signature on return receipt.

*****

c. Please provide a cross walk between each of the cost functions in the special study in USPS-LR-SSR-104, pages 8 and 9 (e.g., the functions identified as window acceptance, carrier/driver delivery and call window/box second delivery, etc.) and the list provided in response to part b. above that shows how the special study captures all the costs of return receipts whether or not these costs are identified with return receipt by the CRA.

RESPONSE:

c. The requested crosswalk is in the table below. The purpose of the special study is not to capture *all the costs* of return receipts. The purpose of the return receipt study is to develop a *total unit cost* estimate for the activities associated with each type of return receipt beyond the ordinary costs of the parent mailpiece. Identifying these return receipt costs provides the basis on which the fee for each type of return receipt is determined. The CRA captures all costs in some fashion, as accurately as sampling can achieve for a category such as return receipts with small amounts of costs spread widely among a variety of segments and components. The special study, however, identifies the particular return receipt costs necessary for ratemaking purposes. Regarding the cost of returning the Form 3811, the cost study uses the unit cost for postal cards, which includes the piggybacked costs, as a reliable

**RESPONSE OF POSTAL SERVICE WITNESS LYONS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4**

proxy. A special study to capture this particular element of the total cost is not justified since this element represents only a small proportion of the total unit cost estimate.

Crosswalk of Return Receipt Study to CRA Components	
Study Function	CRA Component(s)
1.1 Window Acceptance	3.2
1.2 Carrier/Driver Delivery & Call Window/Box Second Delivery (1)	6.1-.2, 7.1-.5, 3.2, 10.1-.2
1.3 Clerk Review of Return Receipt	3.1-3.3
1.4 Carrier Waiting for Review of Return Receipt	6.1
1.5 Printing Cost	16.1
1.6 Cost of Returning Return Receipt	3.1-3.2
1 7 Additional Cost of Handling Duplicate Requests	
Window Acceptance	3.2
Review and Search	3.2-3.3
Forwarding and Returning Return Receipts Through Mailstream	See response
1B Return Receipts for Merchandise (Additional Cost)	See above for function 1.2

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.

W. Ashley Lyons

Dated: 10-23-96

POIR-4 Question 10.

Please provide the number of ZIP Code changes (new boundary adjustment, etc.) that have been made for each of the last five years and the number of post office boxes receiving a new ZIP Code as a result of these changes.

RESPONSE:

ZIP Code changes are reported as "Post Office Changes" in the *Postal Bulletin*. A review of the last five years of these has generated information of two types responsive to this question: one relates to the establishment of new box section ZIP Codes while the other relates to ZIP Code changes occasioned by the closing of a post office.

The first table below shows the annual number of new ZIP Codes established for box sections since 1992 and the number of post office boxes affected by those changes. Specific ZIP Codes were identified from the *Postal Bulletin* after which postal officials in Address Management determined the number of potential box deliveries in each. Note that the data are in terms of calendar years and the number of boxes installed in the ZIP Codes.

Calendar Year	No. of ZIP Codes Changed	No. of Boxes Affected
1992	69	93,796
1993	70	69,816
1994	32	41,795
1995	58	69,831
1996	118	144,338
Total	347	419,576

Sources: *Postal Bulletin* and Address Management, USPS

The next table shows the number of postal facilities discontinued each year since 1992 and the number of post office box customers affected. Pertinent post offices were identified in the *Postal Bulletin*, while the numbers of customers affected were drawn from the files maintained by the Office of Retail Operations. Note that the data are reported in terms of postal fiscal years and the number of boxes in use in these facilities.

Fiscal Year	No. of Facilities Discontinued	Box Customers Affected
1992	137	3,336
1993	84	2,344
1994	73	8,414
1995	197	4,477
1996	130	3,357
Total	621	21,928

Sources: *Postal Bulletin* and Office of Retail Operations, USPS

DECLARATION

I, Paul M. Lion, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Paul M Lion

Dated: 10/23/96.

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

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 23, 1996