

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 LYONS TO INTERROGATORY OF
DOUGLAS F. CARLSON
(DFC/USPS-T1-1)

The United States Postal Service hereby provides the response of witness Lyons to the following interrogatory of Douglas F. Carlson: DFC/USPS-T1-1, filed on October 25, 1996. This response was compelled by Presiding Officer Quick at the hearing on December 17, 1996. Tr. 10/3624.

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

Respectfully submitted,

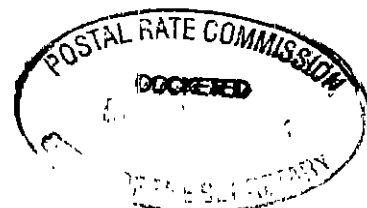
UNITED STATES POSTAL SERVICE

By its attorneys:

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December 23, 1996



RESPONSE OF POSTAL SERVICE WITNESS LYONS TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T1-1. Please refer to Response of Witness Lyons to Presiding Officer's Information Request No. 4 (Question 8).

a. For this question, please assume the following: (1) The Postal Service believes that some nonresident boxholders would be willing to pay a higher fee for their box than the Postal Service presently charges them; (2) The Postal Service's only goal in proposing a nonresident fee is to increase its total revenue by charging a fee to nonresident boxholders that would be higher than the fee that presently applies to nonresident boxholders. Do you believe that a boxholder who initially rejected a fee increase would subsequently accept the fee increase if he understood that the fee increase were motivated solely by the Postal Service's desire to increase its revenues? If your answer is yes, please explain fully and cite any studies on which you rely in support of your answer.

b. For this question, please assume the following: (1) The Postal Service concludes that nonresident boxholders impose greater costs on the Postal Service than resident boxholders; (2) The Postal Service's only goal in proposing a nonresident fee is to recover the additional costs that nonresident boxholders impose on the Postal Service; (3) The nonresident boxholder to which the following sentence refers does not, by any objective or subjective measure, impose costs on the Postal Service greater than the average cost imposed by resident boxholders in the post office in which the nonresident has his post-office box. Under these three assumptions, do you believe that a boxholder who initially rejected a fee increase would subsequently accept the fee increase if he were told that the nonresident fee was being imposed to recover the additional costs that nonresident boxholders impose on the Postal Service? If your answer is yes, please explain fully and cite any studies on which you rely in support of your contention.

c. The three assumptions in (b) apply to this question. Do you believe that a boxholder who initially rejected a fee increase would subsequently accept the fee increase if he were told that (1) the nonresident fee was designed to recover the additional costs that nonresident boxholders impose on the Postal Service and (2) no studies were conducted to measure and compare the costs that residents and nonresident boxholders impose on the Postal Service? If your answer is yes, please explain fully and cite any studies on which you rely in support of your contention.

RESPONSE

Based on the question I was asked in POIR No. 4, my answer reflected the understanding that the nonresident would be told that part of the increase reflected a

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nonresident fee, and that this part of the increase could be avoided by changing post offices at which the box service was obtained. While this issue has not been studied, I believe that this information would tend to focus the nonresident's attention on what he would be giving up by switching his box to another office, and thus might increase his willingness to accept the fee increase.

- (a) If the nonresident boxholder also was made aware that the sole purpose of the increase was to increase the Postal Service's revenues, he might still accept the fee increase, having been reminded of the value of his nonresident box. It would not be surprising for him to consider the benefits he gets from the box more significant than the motivation of the Postal Service.

- (b) If the nonresident boxholder instead was made aware that the sole purpose of the increase was to recover the additional costs that nonresident boxholders impose on the Postal Service, he might still accept the fee increase, having also been reminded of the value of his nonresident box. This would especially be possible if the boxholder understood that as a member of specific consumer groups (such as nonresident boxholders), he often may face charges based on costs based on average costs incurred by those groups, because it is

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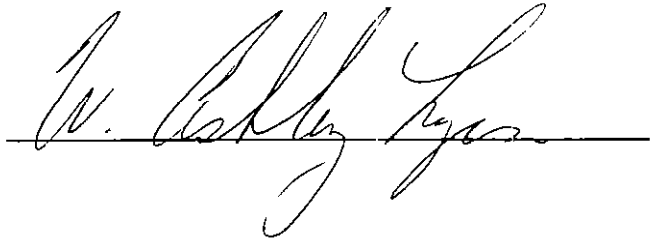
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impractical and more costly to establish fees that treat each customer's individual characteristics. For example, an all-you-can-eat restaurant might charge one price for all adult customers, and a lower price for all children, based on the quantity of food eaten by the average adult and child, respectively. An adult customer who eats only as much as a child would still be charged the adult price.

- (c) If the nonresident boxholder also was made aware that no studies were conducted to measure and compare the costs that residents and nonresident boxholders impose on the Postal Service, he might still accept the fee increase, having also been reminded of the value of his nonresident box.

DECLARATION

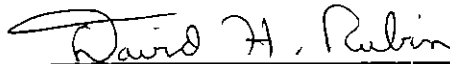
I, W. Ashley Lyons, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "W. Ashley Lyons", is written over a horizontal line.

Dated: 12-23-96

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document on all parties of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in cursive script that reads "David H. Rubin". The signature is written in black ink and is positioned above a horizontal line.

David H. Rubin

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