

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PLUNKETT TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-8-11)

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T36-8-11, filed on March 22, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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April 5, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT TO
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OCA/USPS-T36-8. Postal Rate Commission Chairman Edward J. Gleiman gave a speech before the Association of Priority Mail Users, Inc. on September 28, 1999. The full text of the speech may be found on the PRC website, www.prc.gov. In this speech he said the following.

Because 95 percent of the Priority volume is less than five pounds, Priority parcels can be delivered by letter carriers on both residential and business routes. Consequently, Priority Mail enjoys even greater scope economies than parcel post.

* * * *

The Postal Service's lower weight single piece parcel business seems to cry out for some reform. Eliminating lightweight parcel post in favor of Priority Mail or some other, more general realignment in the parcel area might be a solution worth considering. I would urge the Postal Service to consider the matter.

- a. Has the Postal Service considered eliminating single piece Parcel Post under 2 pounds in favor of Priority Mail?
- b. If so, please provide all memoranda, studies or other documents that pertain to this matter. If not, please explain why not.
- c. Has the Postal Service considered eliminating single piece Parcel Post for any weights under 5 pounds in favor of Priority Mail?
- d. If so, please provide all memoranda, studies or other documents that pertain to this matter. If not, please explain why not.

OCA/USPS-T36-8 Response

- a. I am not aware of this proposal having been considered.
- b. The Postal Service considers Parcel Post and Priority Mail to be separate products serving distinct customer needs. The extent to which the pricing structure of either or both products should be altered depends on considerations beyond economies of scope. Moreover, the relatively small gap between inter-BMC Parcel Post rates and Priority Mail rates which prompted the Chairman's remarks would be widened considerably given the rates proposed in this docket.
- c. I am not aware of this proposal having been considered.
- d. See my response to part b.

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OCA/USPS-T36-9. Please assume hypothetically that the Commission recommends merging the lower weights of single piece Parcel Post into Priority Mail.

(1) Consider first merging under two pounds;

(2) Also, separately consider merging under five pounds.

In answering parts a. and b. describe the general effects; then give specific calculations where possible and state all assumptions made to generate the calculations.

a. What would be the cost and revenue effects on single piece Parcel Post? On Priority Mail?

b. What would be the volume effects on each?

OCA/USPS-T36-9 Response.

I have not studied these issues. Based on the hypothetical presented in this interrogatory, I am able to infer that an informed opinion on pricing, volume, and costing impacts would require extensive econometric and costing studies which have not been performed.

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OCA/USPS-T36-10. Please assume hypothetically that the Commission recommends merging the lower weights of single piece Parcel Post into Priority Mail.

- a. Would this merger significantly improve parcel rate structures with regard to criterion 7 of the Act? (Simplicity of structure for the entire schedule and simple,.) Please explain in detail.**
- b. Would this merger improve the parcel rate structures with regard to criterion 2 of the Act? (The value of mail service provided to the sender and the recipient.) Please explain in detail.**

OCA/USPS-T36-10 Response.

- a. In general, reducing the number of prices, which this interrogatory puts forth, would be expected to simplify the rate structure. However, I cannot affirm that this would result in "identifiable relationships between the rates or fees charged the various classes of mail for postal services" in the absence of cost studies and forecasts that would allow informed speculation on what kind of prices are likely to result. See also my response to OCA/USPS-T36-9.**
- b. The information needed to answer this question is not available. Please see my response to part (a) above.**

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OCA/USPS-T36-11. Please assume hypothetically that the Commission recommends merging the lower weights of single piece Parcel Post into Priority Mail.

- a. Please explain in detail what the effect of the merger would have on the Priority Mail contract with Emery.**
- b. Please explain in detail what the effect of the merger would have on other transportation costs.**
- c. Please explain in detail what the effect of the merger would have on mail processing costs.**

OCA/USPS-T36-11 Response.

- a.-c. Because this proposal has not been considered, its effects on the Priority Mail contract with Emery, on other transportation costs, and on mail processing costs have not been studied and are therefore unknown.**

DECLARATION

I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Michael K. Plunkett

Dated: 4/5/00

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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", written over a horizontal line.

Scott L. Reiter

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