

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

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
OFFICE OF THE CONSUMER ADVOCATE WITNESS WILLETTE
(USPS/OCA-T7-1-20)

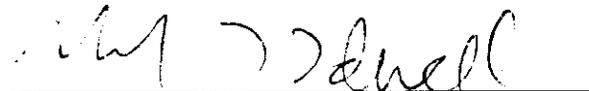
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to OCA witness Willette: USPS/OCA-T7-1-20.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

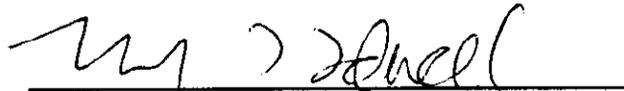
Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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.



Michael T. Tidwell

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June 1, 2000

USPS/OCA-T7-1.

On page 6 line 5 of your testimony you assert that, "CEM provides an opportunity to slow the diversion of mail..." Have you conducted any studies, market research, or do you have any quantitative or qualitative evidence which indicates that First-Class single-piece mailers would be less likely to use electronic alternatives if CEM were implemented? If so, please provide those data. If not, on what do you base your assertion?

USPS/OCA-T7-2.

In your testimony, on page 9, at line 7, you state that "CRM envelopes will be transformed into CEM mail with only one minor alteration - the addition of a CEM indicator on the envelope informing consumers that they may use a discounted CEM stamp."

- (a) Please fully describe or provide samples of your proposed "amended" CRM envelope designs referenced in your testimony (on page 13, lines 7-11) for each of the following reply envelope styles:
 - (i) Windowless envelopes that contain both a preprinted address and barcode on the envelope itself;
 - (ii) Window envelopes where the barcode is printed on the envelope but the address is printed on the insert;
 - (iii) Window envelopes where both the address and barcode are printed on the insert.

- (b) Please fully describe or provide samples of your proposed long-term CEM envelope designs for each of the following envelope styles:
 - (i) Windowless envelopes that contain both a preprinted address and barcode on the envelope itself;
 - (ii) Window envelopes where the barcode is printed on the envelope but the address is printed on the insert;
 - (iii) Window envelopes where both the address and barcode are printed on the insert.

- (c) Did you discuss your CEM proposals with the providers of CRM envelopes to determine whether they could or would amend CRM envelopes in the short term or change envelope designs in the long term? Please provide all correspondence, records, notes, or other documents

pertaining to such communications. If no such communications took place, please explain why.

- (d) Should CEM compliance be mandatory or should envelope providers have the option of modifying their envelope designs?
- (e) Do you propose that the CEM envelope design be standardized, similar to BRM? If not, how will it be possible to develop a CEM design that accommodates the wide variety of reply mail envelopes discussed by witness Miller in Docket No. R97-1 (Exhibit USPS-T-17A)?

USPS/OCA-T7-3.

On page 10 of your testimony, you discuss the Postal Service's testimony in Docket No. R97-1 concerning the general public preference for a "one-stamp" system. For purposes of this question, please refer to the testimony of Postal Service witness Ellard, Docket No. R97-1, Tr. 35/19076-77 and 19083-84, which addresses the issue of public preference for a "one-stamp" system vs. a "two-stamp" system.

- (a) Please identify all market research or surveys performed by or for the OCA which seeks to ascertain or otherwise indicates whether the general public prefers one basic First-Class Mail first-ounce stamp or two differently denominated basic First-Class Mail first-ounce stamps? Provide all information gathered as a result of such research or surveys, as well as any analysis of such information.
- (b) Please identify all market research performed by or for the OCA concerning CEM or any other "two-stamp" basic First-Class Mail rate structure. Please provide a copy of all records pertaining to such research, whether quantitative or qualitative, formal or informal, consumer-oriented or business-oriented.

USPS/OCA-T7-4.

On page 11 line 14 of your testimony, you state that "CEM has been and remains a very simple concept." In Docket No. R97-1, Postal Service witness Miller disagreed with this claim (USPS-RT-17, pages 4-11).

- (a) Is it more complicated or less complicated to use one first-ounce single-piece letter stamp or two first-ounce single-piece letter stamps?
- (b) Is it more convenient or less convenient to use one first-ounce single-piece letter stamp or two first-ounce single-piece letters stamps?

- (c) Is it possible that consumers and/or business agents could become confused when having to determine which stamp to use (CEM vs. residual first-ounce single-piece)?
- (d) Is it possible that consumers and/or business agents could have to make additional trips to purchase stamps were CEM to be implemented?
- (e) Is it possible that consumers and/or business agents could have to change their preferred method for purchasing stamps if vending machines and/or consignment outlets could not stock both CEM and the residual first-ounce single-piece stamps?
- (f) Assume that a CEM rate of 30 cents is currently in effect and that there are two basic First-Class Mail stamp rates: 33 cents (for non-CEM) and 30 cents (for CEM). Also assume that the Commission recommends and the Governors approve a 1-cent increase in the CEM rate and a 2-cent increase in the (non-CEM) basic First-Class Mail rate. Please describe how the mailing public would use non-denominational "make-up" stamps in conjunction with the remainder of their 30-cent and 33-cent stamps, as the higher rates were implemented.
- (g) Is it possible that some non-CEM reply envelopes that contain remittances could be delayed because consumers and/or business agents would apply the CEM stamp in error and the mail piece would be isolated as "postage due" by a postal employee?
- (h) Please confirm that CEM would require that major mailers modify their envelope designs in order for the mail piece to qualify for the discount. If not confirmed, please explain.
- (i) If all mailers do not modify their CRM envelopes to CEM envelopes, please confirm that the current CRM mail stream would be separated into two separate mail streams, CRM and CEM. If you do not confirm, please explain.
- (j) Please confirm that the current configuration of Postal Service cancellation machines could not distinguish between the CEM stamp and the residual first-ounce single-piece stamp. If you do not confirm, please explain.
- (k) Please confirm that the only way incorrect postage payment related to the new CEM stamp could be detected is if a postal employee visually identified the problem and manually dealt with it. If you do not confirm, please explain.

USPS/OCA-T7-5.

On page 12, lines 17-18 of your testimony you state that, "printing costs for new CEM envelopes should be the same or substantially the same as currently exist." Did you conduct any research and/or collect any data to substantiate this claim? If so, please provide all research and/or data. If not, on what do you base your claim?

USPS/OCA-T7-6.

On page 14 of your testimony you discuss the revenue loss associated with the CEM discount. Please state where you think the funds that offset this revenue loss should come from in order for the Postal Service to meet its revenue requirement.

USPS/OCA-T7-7.

On page 18 lines 13-14 of your testimony you state that CEM will "more closely align rates with costs for household mailers."

- (a) Is more closely aligning rates with costs for letters and cards generated household mailers a goal of the OCA?
- (b) Please confirm that implementation of a separate, higher rate for hand-addressed letter mail pieces would more closely align rates with costs for household mailers? If not confirmed, please explain.

USPS/OCA-T7-8.

On page 20 lines 1-2 of your testimony you state, "I would observe that the Commission dismissed such operational objections to CEM in Docket No. MC95-1, as well it should here." Please specifically list each "operational objection" to which you are referring and explicitly state why it should be ignored.

USPS/OCA-T7-9.

On page 21 lines 6-7 you claim that "simplicity of structure will be maintained with the establishment of CEM..." Please explain how this criterion is satisfied, given that CEM would result in two first-ounce single-piece letter stamps rather than one first-ounce single-piece letter stamp.

USPS/OCA-T7-10.

On page 22 lines 1-2 you state that CEM "has evolved over a period of years..." Please explain how your Docket No. R2000-1 CEM proposal has "evolved" in relation to your Docket No. R97-1 proposal.

USPS/OCA-T7-11.

On page 15 line 1 you state, "Underpayment of postage does not appear to be a problem for the Postal Service..." Please refer to the response to OCA/USPS-106, Attachment 4 of 15. In GFY 1999, 239 million single-piece letters were underpaid by 1-cent. It is likely that these underpayments were due to the application of a 32-cent stamp after the first-ounce single-piece letter rate was increased to 33 cents.

- (a) Do you consider the underpayment of postage for 239 million single-piece letters to be a problem? If your response is no, please explain.
- (b) Assume that consumers and/or businesses did not intentionally underpay the postage and/or they were confused about the actual rate at the time the letters were mailed. Is it possible that the implementation of CEM could lead to the same results? If your response is no, please explain your answer. If your response is yes, wouldn't this problem be permanent in nature (compared to the temporary situation that occurs during new rates implementation) due to the fact that the public would be faced with two first-ounce single-piece letter rates?

USPS/OCA-T7-12.

On page 15 line 2 you state, "consumers appear to err on the conservative side when applying postage." On lines 4-5 of that same page you further state, "It also seems likely that some consumers will not want to keep two dominations of stamps handy."

- (a) Based on this latter comment, isn't it possible that some consumers do not "err" at all but intentionally overpay postage because they prefer using only one stamp (e.g., if a mail piece weighed two ounces they would apply two 33-cent stamps, rather than one 33-cent stamp and one 22-cent stamp)?
- (b) Doesn't this repeated overpayment of postage seem to suggest that convenience is more important to many single-piece letter mailers than price? If your response is no, please explain.
- (c) If convenience were demonstrated to be more important to consumers than price, what benefit would a new CEM rate offer to the general public?

USPS/OCA-T7-13.

Have you conducted any "benchmarking" studies to determine if postal competitors and/or foreign postal administrations have a mail classification similar to CEM? If so, please provide all supporting documentation from that study.

USPS/OCA-T7-14.

Figure 1 (OCA-T-7 at page 6) indicates that household's share of First-Class Mail declined from 21.3 percent to 16.3 percent between 1987 and 1997.

- (a) Please confirm that the response to OCA/USPS-T33-2 presented the volumes associated with these percentages – 16.8 billion pieces in 1987 and 16.2 billion pieces in 1997, or a decline of 0.6 billion pieces. If you are unable to confirm, please explain.
- (b) How many of these 0.6 billion pieces were bill payments? Please explain.
- (c) What evidence do you have that this decline represents bill payments as opposed to a decline in personal correspondence and the use of greeting cards?
- (d) If the decline in household use of First-Class Mail is due primarily to declines in personal correspondence and greeting cards, how will that affect the ability of a CEM rate to forestall diversion?

USPS/OCA-T7-15.

Please refer to page 7 of your testimony, where it states that "CEM is less complicated to administer than a program in which creditors and other business correspondents provide postage paid envelopes for customers." Does this statement refer to Business Reply Mail as well as Prepaid Reply Mail? Please explain.

USPS/OCA-T7-16.

Please identify all market research conducted by or for the OCA concerning the ability or desire of retail businesses which sell postage stamps to the public (through consignment arrangements with the Postal Service) to offer two differently denominated basic First-Class Mail stamps to their customers seeking to purchase postage stamps? Please provide a copy of all records relating to such research.

USPS/OCA-T7-17.

Please identify all market research conducted by or for the OCA concerning the nature of any operational or logistical challenges which might be encountered by utility companies or other entities that stock large volumes of reply envelopes (to send to customers) in switching from their current envelope stock to CEM envelopes? Please provide a copy of all records relating to such research.

USPS/OCA-T7-18.

On page 20 of your testimony you state, "Automatic debit and computer payment systems are still in their infancy, and many question their reliability; we are still largely a society which needs or desires a paper record of transactions, which payment by mail facilitates." Please confirm that your testimony in Docket No. R97-1 (OCA-T-400, page 24 at lines 7-9), filed in December 1997, approximately 2½ years ago, includes the exact same sentence.

USPS/OCA-T7-19.

In your Docket No. R2000-1 testimony, you discuss other issues impacting a consumer's choice of bill payment method: security (page 7); convenience (page 16); and trust (page 18).

- (a) What specific role do you think price plays in this choice of method? Please explain the basis for your opinion.
- (b) What evidence do you have that a discount of 3 cents will have any material impact on a consumer's choice of bill payment method?

USPS/OCA-T7-20.

On pages 14-15 of your testimony, you indicate that your CEM proposal could involve a revenue reduction of \$300 million.

- (a) How would you propose that the Postal Service recover this lost revenue?
- (b) If the Postal Service needed to recover this revenue reduction, plus the additional costs associated with CEM implementation, from other rates paid by postal customers, how would this affect your assessment of the consumer benefits of CEM?