

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
Oct 10 3 57 PM '01
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Experimental Suspension of Fee for
Manual Delivery Confirmation Category

Docket No. R2001-2
Docket No. MC2001-2

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS O'HARA TO OCA INTERROGATORIES
(OCA/USPS-T1-1-5)

The United States Postal Service hereby provides the response of witness O'Hara to the following interrogatories of the Office of the Consumer Advocate (OCA): OCA/USPS-T-1-5, filed on October 3, 2001, and renumbered as indicated in the Office of Consumer Advocate notice of Withdrawal of Interrogatories OCA/USPS-T-2-19, filed October 9, 2001.

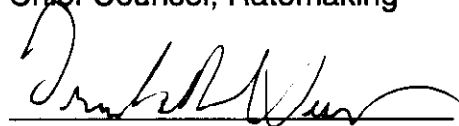
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Danial J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Frank R. Heselton

475 L'Enfant Plaza West, S.W.
(202) 268-4823; Fax -5402
Washington, D.C. 20260-1137
October 10, 2001
fheselto@email.usps.gov

**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO THE INTERROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-1. Please confirm that Postal Service now provides a means for members of the public to generate and print a Delivery Confirmation label for a Priority Mail package at http://www.usps.com/cgi-bin/api/shipping_label.cgi. Also confirm that if the Priority Mail/Delivery Confirmation label is printed and affixed in the manner specified (i.e., printed on a laser quality printer and adhered properly) that the Delivery Confirmation service will be provided to the mailer free of charge.

RESPONSE: Confirmed.

**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO THE INTERROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-2. Please refer to your testimony at page 7, l. 17 – 23. Is it correct that you assume a volume level for the period of the experiment equal to that of FY 2000, i.e., 2.8 million pieces of window-entered Priority Mail?

- a. If not, please explain.
- b. If so, then why did you not assume some further shift of volume from the peak mailing week (the week before Christmas) into the period of the experiment? Please explain fully.
- c. Is not one of the experiment's purposes to cause such a shift? Please explain fully any negative answer.
- d. If the experiment is successful, and accomplishes a shift of volume from the peak mailing week to the experimental period, then would not the volume estimated at 2.8 million pieces be higher? Please explain fully any negative answer.
- e. If the volume shift described above does occur, then isn't it correct that the total revenue loss of \$1.3 million that you estimate would be higher? Please explain fully any negative answer.

RESPONSE: Confirmed.

- a. Not applicable.
- b. I had no basis for arriving at a quantitative estimate of the extent of any such shift; one purpose of the experiment is to learn about customer response to limited-time offers such as this. Also, as noted on p.10, lines 5-10 of my testimony, no cost savings from such shifts are included in the estimated financial impact of the experiment.
- c. Confirmed.
- d. Confirmed.
- e. Confirmed, but such shifts would also create opportunities for cost savings that would tend to offset the additional loss in revenue.

**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO THE INTERROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-3 At page 8 of your testimony, you state that you have judgmentally estimated the cost of producing and distributing display items to be \$150,000. Please explain the reasoning process you followed and the assumptions you made to arrive at that figure.

RESPONSE: I consulted with members of the Pricing and Classification Implementation office to learn what the best basis for estimating this cost would be. They suggested that the cost of producing and distributing similar material for the July 1, 2001 rate implementation would provide the best basis for projecting costs for the experiment. They recommended this both because the cost data would be recent and because they would want to produce and distribute approximately the same type and quantity of material, perhaps with somewhat smaller quantities but with additional use of color, which would come to approximately the same total. Of the \$150,000, about \$120,000 would be spent on production and the remainder on distribution.

**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO THE INTERROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-4. Please refer to USPS-LR-MC2001-2, WP p. 1. Please cite the source for all figures set forth on this page.

RESPONSE: Column C data come from summing the data in cells B11-B26 on page 3 of my workpaper for the days indicated, and multiplying by 100/70 to adjust for the fact that the data on page 3 are for POS sites only, which cover about 70% of revenue at all retail locations. These data in turn come from a special tabulation of POS transaction data prepared at my request.

Column D data come from the weekly data in cells E15-E17 on page 4 of my workpaper. These data in turn come from a special tabulation of POS transaction data prepared at my request.

Column E is the product of columns C and D.

Column F data come from an internal summary of week-by-week ratios of manual Delivery Confirmation pieces for which a destination scan is recorded pieces for which there is a matching entry scan from POS or IRT terminals, less one. The pieces for which no entry scan is recorded are assumed to have been entered through non-window channels as described on page 4, lines 12-17, of my testimony.

Column G is the product of column E and (1+the entry in column F).

**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO THE INTERROGATORIES OF THE
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-5. Please refer to USPS-LR-MC2001-2, WP p.2. Please explain fully the meaning of footnotes 2 and 3 and display all calculations reflecting the statements made in footnotes 2 and 3. Include specific citations to USPS-RT-21.

RESPONSE: For footnote 2, the unit costs were calculated by modifying witness Davis' original spreadsheet in USPS-LR-I-108 Section B (filename "del con input cost data.xls), Input Sheet B-1: Activity Transaction Times, cells D-9-D15 as described in his testimony USPS-RT-21, pages 4-6. This results, on Worksheet B-6, Volume Variable Cost Summary, in a Priority Mail Electronic Delivery Confirmation cost of \$0.078 (cell C15, unchanged), and of Priority Mail Manual Delivery Confirmation cost of \$0.424 (cell D15). The difference between these is \$0.346; this is used in cell G8 of my Workpaper p.2 as the unit cost of TYAR Manual Delivery Confirmation usage covered by the \$0.40 fee, which is then used in cell E8 to calculate TYAR costs for Priority Mail Manual Delivery Confirmation and cell E15 to calculate the cost of existing usage during the period of the experiment.

For footnote three, the full Priority Mail Manual Delivery Confirmation cost of \$0.424 is used to calculate the cost of additional usage arising as a result of the experiment in cell E27.

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.



Frank R. Heselton

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-4823; Fax -5402
October 10, 2001
fheselto@email.usps.gov