

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

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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 UNITED STATES POSTAL SERVICE
WITNESS O'HARA TO INTERROGATORIES OF UNITED PARCEL SERVICE
(UPS/USPS-T1-45, 47-52)

The United States Postal Service hereby provides the responses of witness O'Hara to the following interrogatories of United Parcel Service: UPS/USPS-T1-45, 47-52, filed on October 19, 2001. The Presiding Officer's Ruling Establishing Procedural Schedule, issued October 12, 2001, indicated that Interrogatories submitted on October 18 or 19, 2001, should be available at the beginning of the October 23, 2001 hearing. Notwithstanding due diligence by witness O'Hara, it was not possible to meet this deadline for UPS/USPS-T1-43-44, 46, 53-56, which were also filed on October 19, 2001.

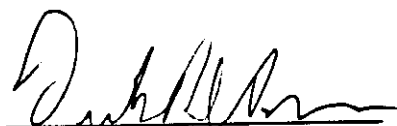
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

A handwritten signature in black ink, appearing to read "Frank R. Heselton", written over a horizontal line.

Frank R. Heselton

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October 23, 2001

**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO INTERROGATORIES OF
UNITED PARCEL SERVICE**

UPS/USPS-T1-45. Has the Postal Service studied through market research, customer interviews, or any other means the potential change in Parcel Post volume as a result of this proposal? If so, provide the studies and all results of these studies.

RESPONSE: No such studies have been conducted.

**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO INTERROGATORIES OF
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UPS/USPS-T1-47. Refer to page 10 of your testimony, where you discuss "supplemental air transportation" costs.

(a) Did contracts for supplemental air transportation contain rates that varied during the period from December 2, 2000, through December 22, 2000? If so, describe how they varied, and to what extent? What was the basis for the variation?

(b) Do the contracts for supplemental air transportation contain rates that vary during the period from December 1, 2001, through December 21, 2001? If so, describe how they vary, and to what extent? What is the basis for the variation?

RESPONSE:

(a)-(b) My testimony on page 10 refers to the possibility that shifting volume away from the busiest week to the experimental period would permit reduced total usage of supplemental air transportation over the period from December 1, 2001 through December 21, 2001, with correspondingly more use of regular air transportation. This possibility does not rely on the existence of varying rates for supplemental air transportation within the December 1-21 period, and I have no knowledge of any such variation.

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UPS/USPS-T1-48. Refer to page 3 of the Reply of the United States Postal Service in Response to Opposition of United Parcel Service to Motion for Waiver of Certain Provisions of Rule 54, R2001-2/MC2001-2, filed October 16, 2001. In that filing, the Postal Service states, "For window-entered packages that would have been sent Parcel Post without the experiment, the availability of Delivery Confirmation without fee for Priority Mail could be expected to induce only a very small amount of substitution."

(a) Do you agree with that statement? If so, provide the basis for your agreement.

(b) Quantify "a very small amount" of substitution.

(c) Provide all studies, analyses, and reports on which you base your opinion.

RESPONSE:

(a) Yes; see my response to UPS/USPS-T1-14.

(b)-(c) See my response to UPS/USPS-T1-14.

**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO INTERROGATORIES OF
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UPS/USPS-T1-49. Refer to page 3 of the Reply of the United States Postal Service in Response to Opposition of United Parcel Service to Motion for Waiver of Certain Provisions of Rule 54, R2001-2/MC2001-2, filed October 16, 2001. In that filing, the Postal Service states, "Since Parcel Post entered at postal windows has a less pronounced peak than does Priority Mail, and only about five percent of Parcel Post mailers obtain Delivery Confirmation at the window, compared to closer to 15 percent for Priority Mail customers, there is unlikely to be significant interplay between the experiment and users of Parcel Post."

(a) Do you agree with this statement? If so, provide the basis for your agreement, including any studies, analyses, and reports on which you base your opinion.

(b) Provide the volume of window-entered Parcel Post pieces for which Delivery Confirmation was purchased during the following periods:

- (i) November 25, 2000 through December 1, 2000;
- (ii) December 2, 2000 through December 22, 2000;
- (iii) December 2, 2000 through December 8, 2000;
- (iv) December 9, 2000 through December 15, 2000; and
- (v) December 16, 2000 through December 22, 2000.

(c) Provide the volume of window-entered Parcel Post pieces for which Delivery Confirmation is expected to be purchased during the following periods:

- (i) November 24, 2001 through November 30, 2001;
- (ii) December 1, 2001 through December 21, 2001;
- (iii) December 1, 2001 through December 7, 2001;
- (iv) December 8, 2001 through December 14, 2001; and
- (v) December 15, 2001 through December 21, 2001.

RESPONSE:

(a) Yes; see my response to UPS/USPS-T1-14.

(b) Please see the response to UPS/USPS-T1-44(a).

(c) Absent any effects from non-experiment factors, these volumes should be approximately the same as the volumes for the corresponding periods of the year 2000, but with a tendency to be somewhat smaller, for the reasons outlined in my response to UPS/USPS-T1-14.

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UPS/USPS-T1-50. Refer to your response to interrogatory UPS/USPS-T1-1(c), where you confirm that you assumed that 30% of Priority Mail retail revenue during the first 16 days of December 2001 will be received at sites that do not have POS terminals because you believed that "this overall figure could reasonably be applied to these particular services in this particular time period." Provide the basis for this belief, including all data and studies that support your belief that it is reasonable to apply the 30% figure.

RESPONSE:

The primary basis for this belief is that I can think of no reason that an individual's retail mailing patterns (mixture of volume by class, use of special services, etc.) should depend significantly on whether his or her Post Office has POS terminals installed.

**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO INTERROGATORIES OF
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UPS/USPS-T1-51. How will the Postal Service obtain information about the causes for any shifts in holiday mailing patterns or increases in future usage of Delivery Confirmation that occur after the suspension of the fee?

RESPONSE:

The Postal Service has no definite plans in this area. Depending on the extent of shifts in mailing patterns and the extent of increased future Delivery Confirmation usage, it might be worthwhile to conduct some form of market research to confirm to obtain a deeper understanding of what aspects of the experiment were most important in generating the shifts.

Also, if the experiment is conducted in only a portion of the country, changes occurring in the experimental area could be compared with those in the remainder of the country.

**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO INTERROGATORIES OF
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UPS/USPS-T1-52. Refer to your response to interrogatory UPS/USPS-T1-9(d)-(e), where you state that the "apparent increase in retail-entered Priority Mail during FY2001 on page 4 of my workpaper may simply reflect an expansion in the number of POS sites for which data are included in the tabulations provided to me." What is the basis for this conclusion? What are other potential causes?

RESPONSE:

At the time I filed that response, the basis was some tabulations I had seen that showed POS data for more sites in the second half of FY 2001 than in the first half. Since then I have received data that confirms this:

FY 2001 Quarter	Total Walk-In Revenue	POS Site Walk-In Revenue	POS Percent of Total
1	3,082,984,932	1,831,774,134	59.4%
2	3,768,708,249	2,265,148,642	60.1%
3	3,257,236,723	2,211,520,123	67.9%
4	3,935,643,341	2,830,077,316	71.9%
Total	14,044,573,245	9,138,520,215	65.1%

Using these quarter-specific percentages in place of the uniform 70% used on page 4 of my workpaper results in an average weekly volume of 4.75 million for the last four accounting periods of FY 2001, vs. 5.20 million during the first three accounting periods. This translates into a decline of 8.6% instead of the 11% gain obtained with the uniform 70% figure.

DECLARATION

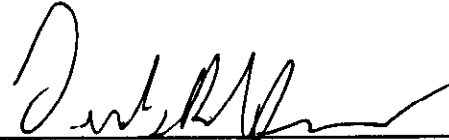
I, Donald J. O'Hara, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Donald J. O'Hara

Dated: July 23, 2001

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.
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October 23, 2001