

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS NEEDHAM TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T39-1-7)

The United States Postal Service hereby provides responses of witness
Needham to the following interrogatories of the Office of the Consumer Advocate:
OCA/USPS-T39-1-7, filed on July 18, 1997.

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

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August 1, 1997

RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T39-1. Please refer to your testimony at page 60, lines 13-16.

- a) Please confirm that customers who are ineligible for delivery because they live within one-quarter mile of a non-city delivery office (hereinafter "quarter-mile" rule) cannot obtain a post office box at no charge. If you do not confirm, please explain.
- b) Please confirm that the Postal Service does not offer customers referred to in part a. above one free method of delivery. If you do not confirm, please explain.
- c) Please confirm that Group D fees apply to customers referred to in part a. above. If you do not confirm, please explain.

RESPONSE:

- a) Confirmed.
- b) Not confirmed. In Docket No. MC96-3, one new free delivery option was introduced -- a Group E box, but the two existing options, carrier and general delivery, were retained. Customers living within the quarter-mile radius also have the option of getting free delivery by erecting a mailbox along a carrier's established line of travel.
- c) Confirmed.

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OCA/USPS-T39-2. Please refer to your testimony at page 60, lines 13-16, concerning customers who live within one-quarter mile of a non-city delivery office. Please confirm that the Postal Service agrees with the following statement of the Postal Rate Commission.

The Commission believes it is equitable to offer one post office box at no charge to any customer ineligible for carrier delivery.

PRC Op. MC96-3, at 62. If you do not confirm, please explain.

RESPONSE:

Not confirmed. While it may seem equitable to offer a post office box at no charge to any customer ineligible for carrier delivery, conditions vary at different post offices. Moreover, general delivery is an alternative form of free delivery.

See my response to OCA/USPS-T39-1(b). As I state in my testimony, the Postal Service is studying the circumstances involving customers who live within one-quarter mile of a non-city delivery office.

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OCA/USPS-T39-3. Please refer to your testimony at page 67, footnote 9.

- a) Please describe the nature of the "formal study" to obtain information on the number of customers affected by the quarter-mile rule.
- b) Please describe the scope of work to be performed.
- c) Please identify and describe the entity (or entities) that will produce the "formal study."
- d) If the entity (or entities) referred to in part c. above is a contractor(s) of the Postal Service, please provide a copy of the statement of work to be performed by the contractor(s).
- e) Please specify the date the "formal study" referred to in footnote 9 will be completed.
- f) Please identify and describe any studies, reports, summaries or other "deliverables" to be provided prior to the completion date of the "formal study."

RESPONSE:

a-f) Details of the formal study are being finalized contemporaneously with the drafting of this response. The statement of work (SOW) will include the requested information, and is expected to be complete within a week or two of the filing of this response. The SOW will be provided when it is complete.

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OCA/USPS-T39-4. Please refer to your testimony at page 60, lines 10-11.

- a) Please confirm that the Group B fees apply to the post offices listed in DMM section D910.4.3, Exhibit 4.3 under Category 1B. If you do not confirm, please explain.
- b) Please confirm that there are 18 post offices in cities and counties listed in Exhibit 4.3 under Category 1B. If you do not confirm, please explain.
- c) Please confirm that the "eight large cities" referred to on line 11 of your testimony are New York, NY (other than Manhattan); Boston, MA; Philadelphia, PA; Washington, DC; Chicago, IL; Los Angeles, CA; San Francisco, CA; and Honolulu, HI. If you do not confirm, please explain.
- d) Without considering Group A, please confirm that "high-cost ZIP Code areas" are not limited to "eight large cities and their suburbs" in Group B. If you do not confirm, please explain how you determined which ZIP-code areas are "high-cost ZIP Code areas."

RESPONSE:

- a) Not confirmed. However, I can confirm that Group B fees apply to the ZIP Codes listed in Exhibit 4.3.
- b) Not confirmed. I can only confirm that there are 18 locations listed in DMM section D910.4.3, Exhibit 4.3 (Issue 52) under Category 1B. I do not know how many post offices are represented in these locations. In particular, only selected ZIP Codes for certain post offices are included in the Group B list. Also, note that McLean, Virginia, and its 22103 ZIP

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b) (Continued)

Code have recently been moved from Group B to Group C. Postal
Bulletin 21948 (6-19-97), page 37.

c) Confirmed.

d) Not confirmed. The "high cost ZIP Code areas" as determined in Docket
No. R90-1 came from these eight large cities and their suburbs. As was
indicated in the course of Docket No. MC96-3, the Postal Service is
interested in re-grouping post office box fees using economic data that are
more recent than the late 1980's. However, no decisions have yet been
made regarding how best to do this. As implied by this interrogatory,
there is a potential for moving offices or ZIP Codes from Group C to
Group B.

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OCA/USPS-T39-5. Please refer to your testimony at page 66, lines 13-17.

- a) Please confirm that boxholders of size 4 boxes in Groups A and B experienced a fee increase as a result of Docket No. MC96-3. If you do not confirm, please explain.
- b) Please confirm that in Docket No. MC96-3, for the 1996 TYBR, the fees for size 4 boxes in Groups A and B were below their per box cost. If you do not confirm, please explain.
- c) Please explain why mitigating the impact of proposed fee increases is "especially needed" for size 5 boxes in Groups A and B when size 4 boxes in Groups A and B also experienced an increase in fees as a result of Docket No. MC96-3.

RESPONSE:

- a) Confirmed.
- b) Confirmed.
- c) Primarily, just as it is important to mitigate the impact of the proposed box fees for Group D (as referred to in USPS-T-39, page 66, lines 13-17), it is also important to mitigate the effect of the fee increases on box size 5 in groups A and B because these two segments (Group D and size 5 boxes in Groups A and B) of post office boxes experienced higher fee increases as a result of Docket No. MC96-3 than size 4 boxes in Groups A and B. Additionally, peculiar to size 5 boxes in Group A, the proposed box fee is identical to the proposed Group A caller service fee. The Postal Service

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c) (Continued)

decided it was not prudent to propose a higher box fee than the proposed caller service fee in this proceeding. Finally, fees for size 5 boxes should be kept relatively low, because large box customers have low-priced alternatives, and since, in most cases, it is more beneficial to the Postal Service for these businesses to take advantage of box service as opposed to carrier delivery. See my Docket No. MC96-3 testimony, USPS-T-7, page 20.

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OCA/USPS-T39-6. Please refer to your testimony at page 59, Table 11, and page 66, lines 13-17.

- a) Please confirm that the current fees for size 4 boxes in Groups A and B do not cover their per box cost in the 1998 TYBR. If you do not confirm, please explain.
- b) Please confirm that the proposed fees for size 4 boxes in Groups A and B will cover their per box cost. If you do not confirm, please explain.
- c) Please confirm that size 4 boxes in Groups A and B received a larger percentage fee increase than size 5 boxes in Groups A and B. If you do not confirm, please explain.
- d) Please explain why mitigating the impact of proposed fee increases is "especially needed" for size 5 boxes in Groups A and B, where proposed fees will not cover their per box costs, when proposed fees for size 4 boxes in Groups A and B will cover their per box costs.

RESPONSE:

- a) Confirmed.
- b) Confirmed.
- c) I confirm that size 4 boxes in Groups A and B have larger proposed percentage fee increases than size 5 boxes in Groups A and B.
- d) Please see my response to OCA/USPS-T-39-5(c).

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OCA/USPS-T39-7. Please refer to your testimony at page 66, lines 13-17. Please confirm that the Postal Service agrees, at least in principle, with the statement: Per box fees should cover per box costs for post office boxes. If you do not confirm, please explain.

RESPONSE:

Not confirmed. In principle, and practice as demonstrated in the proposed fees in this proceeding, the Postal Service believes that total fees for the post office box and caller service special service should cover total box costs. Cost coverage for individual fee cells is only one of the many pricing concerns. Probably the best manifestation of this belief is the proposed box fees for Group D. While this segment of the boxholder population has been afforded the benefit of box fees significantly below costs for some time, the fact remains that exorbitant fee increases should be avoided. The Postal Service is therefore continuing the trend begun in Docket No. MC96-3 of bringing box fees in below-cost cells closer to covering costs, while mitigating the impact of fee increases on consumers.

DECLARATION

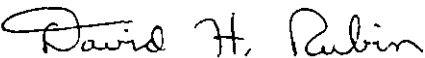
I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: August 1, 1997

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.



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