

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

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNES O'HARA
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(UPS/USPS-T30-3 and T30-4)**

The United States Postal Service hereby files the responses of witness O'Hara to the following interrogatories of United Parcel Service, dated July 25, 1997:
UPS/USPS-T30-3 and 4.

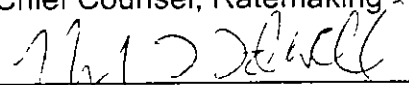
The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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August 8, 1997

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T30-3. Please refer to lines 22-25 on page 3 of your testimony. List all instances in which one of the Act's pricing criteria indicates a conflicting direction from that indicated by another of the Act's pricing criteria.

RESPONSE:

Setting aside fairness and equity itself (criterion 1), and the cost floor requirement (criterion 3), it is possible for any two of the Act's other pricing criteria to indicate conflicting directions for a given subclass. Also, there may be conflicting directions within criterion 2 (intrinsic value of service, as compared to economic value of service) and criterion 4 (effects of rate increases on mailers, as compared to effects on competitors). Specific instances of conflicting directions between two or more criteria that are contained in my testimony include (but are not necessarily limited to) the following:

First-Class Mail letters: p.22, lines 22-23 (high value of service), as compared to p. 23, lines 11-12 (limited alternatives) and p. 24, line 20 to p. 25 line1 (ECSI value).

First-Class Mail cards: p.25, lines 15-19 (lower value of service), as compared to p.26, lines 6-11 (broader availability of alternatives).

Periodicals: p. 29, line 20 to p. 30, line 6 (high value of service), as compared to p. 30, lines 7-10 (ECSI value) and p. 30, lines 11-12 (effect of rate increases on mailers).

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T30-4. Please refer to lines 35-36 on page 5 and lines 1-4 on page 6 of your testimony. In arriving at your proposed rate levels, did you increase or decrease a subclass's proposed cost coverage from what you otherwise would have proposed when that subclass's share of volume-variable cost is higher under the new cost methods?


RESPONSE:

The lines of my testimony cited in the question note that "somewhat higher percentage rate increases are proposed when . . . a subclass's share of volume-variable cost is higher under the new cost methods." Because cost coverage is the ratio of revenue to volume-variable cost, a higher percentage rate increase will result directly from the higher share of volume-variable cost; an increase in the cost coverage ratio is not needed.

DECLARATION

I, Donald J. O'Hara, hereby declare, under penalty of perjury, that the foregoing Docket No. R97-1 interrogatory responses are true to the best of my knowledge, information, and belief.

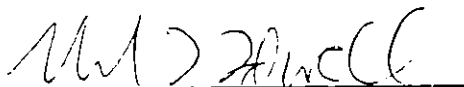
August 8, 1997
Date



Donald J. O'Hara

CERTIFICATE OF SERVICE

I hereby certify that I have this date 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 "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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