

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 LION TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T24-26-31A, 33-34, 36)

The United States Postal Service hereby provides responses of witness Lion to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T24-26-31a, 33-34, 36, filed on August 1, 1997. A partial objection to interrogatory OCA/USPS-35 was filed on August 11, 1997. Interrogatories OCA/USPS-T24-31(b-d), 32, 35 were redirected to the Postal Service.


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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 15, 1997

OCA/USPS-T24-26. Please refer to your testimony at page 11, Table 6C, and PRC Op. MC96-3, Appendix D, Schedule 3, Table 13.

- a. In Table 6C, please confirm that the total number of paid and free post office boxes in use, pre-MC96-3, is 15,648,462. If you do not confirm, please explain.
- b. In Table 13, please confirm that the TYBR total number of paid and free post office boxes is 15,550,019 (15,650,789 "Subtotal" less 100,770 "Caller Service," from Column(5)). If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.

OCA/USPS-T24-27. Please refer to your testimony at page 10, Tables 6A. and 6B., and PRC Op. MC96-3, Appendix D, Schedule 3, Tables 12 and 13.

- a. Please explain why you did not use the Commission's TYBR number of boxes, shown in Tables 12 and 13 as your "Estimated Boxes in Use, Pre MC96-3" by Fee Group.
- b. Please explain in detail any disagreements or differences you have with the Commission's methodology, as shown in PRC Op. MC96-3, Appendix C, Part 1, Tables 1-4, and Appendix D, Schedule 3, Tables 12 and 13.

RESPONSE:

- a. The fee groups in Tables 6A and 6B are defined differently. See my response to OCA/USPS T24-10b.
- b. I have no disagreement with the Commission's methodology in terms of the delivery groups as previously defined in Docket No. MC96-3. Indeed, the box counts in PRC Op. MC96-3, Appendix D, Schedule 3, Tables 12 and 13, are taken from my testimony in that proceeding. However, the costs per box for *this docket must be estimated in terms of the newly defined fee groups (DMM § D910, July 1, 1997)*. The crosswalk between the two cannot be made precisely.

OCA/USPS-T24-28. Please refer to your testimony at page 13, Table 7B. For the Fee Groups "D-2, Non-city Contract eligible" and "D-3, Nondelivery eligible," please confirm that the elasticities (unrounded) are calculated as follows:

Box Size 1	$-0.05357143 = (((1+.025) / 2) - 1) / 7.00$
Box Size 2	$-0.06916667 = (0.17 - 1) / 12.00$
Box Size 3	$-0.03608696 = (0.17 - 1) / 23.00$
Box Size 4	$-0.02441176 = (0.17 - 1) / 34.00$
Box Size 5	$-0.01537037 = (0.17 - 1) / 54.00$

where the figures, 0.25 and 0.17, represent the acceptance percentages (rounded to two digits) from POIR No. 5, question 2 in Docket No. MC96-3, and the figures, 7.00, 12.00, 23.00, 34.00, and 54.00, represent the percentage increase in fees proposed by the Postal Service for "Group 3 Offices Assigned to Group 2" in Docket No. MC96-3. If you do not confirm, please explain.

RESPONSE:

Rather than calculate the elasticities, I took them directly from PRC Op. MC96-3, Appendix D, Schedule 3, Table 12; as stated in footnote 2, page 11 of my testimony. The question correctly identifies the values of the elasticities used.

OCA/USPS-T24-29. Please refer to your testimony at page 10, Tables 6A. and 6B.

- a. Please provide by CAG the percentage of post office boxes, by box size, in the column "E-0."
- b. Please provide by CAG the percentage of post office boxes, by box size, in the column "E-1."
- c. Please provide by CAG the percentage of post office boxes, by box size, in the column "E-2."
- d. Please provide by CAG the percentage of post office boxes, by box size, in the column "E-3."

RESPONSE:

The information to perform these calculations is not available.

OCA/USPS-T24-30. Please refer to your testimony at page 10, Tables 6A. and 6B., and page 26, Table 12.

- a. Please refer to Table 6B. Please confirm that Fee Group E consists of post office boxes from (i) "City-other" delivery offices, (ii) "Non-city" delivery offices and (iii) "Non-Delivery" offices. If you do not confirm, please explain.
- b. Please confirm that the average rental cost per square foot for the three types of offices, identified in part a. (i), (ii) and (iii) above, differ. If you do not confirm, please explain.
- c. Please refer to Table 12, and the column "Average Rent." Please confirm that the average rent for Fee Group E reflects the differing costs associated with the three types of offices, identified in part a. (i), (ii) and (iii) above. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.

OCA/USPS-T24-31. Please refer to your testimony at page 1, lines 17-22.

- a. Please provide a tabulation of the total number of post offices by city delivery offices, non-city delivery offices, and nondelivery offices.
- b. Please describe the process by which a post office is converted from
 - (i) a non-city delivery office to a city delivery office;
 - (ii) a nondelivery office to a non-city office; and,
 - (iii) a nondelivery office to a city delivery office.
- c. Please provide a tabulation of the number of post offices by conversion process as described in (i), (ii) and (iii) above by fiscal year for the past five fiscal years.
- d. Please confirm that that no post offices have been converted from a city delivery office to a non-city delivery office, from a city delivery office to a nondelivery office, and [sic] from a non-city delivery office to a nondelivery office during the past five years. If you do not confirm, please explain and provide a tabulation of the number of offices by conversion process by fiscal year for the past five fiscal years.

RESPONSE:

- a. The data to perform the required calculations are contained in USPS LR-H-222.
- b-d. [Redirected to the Postal Service.]

OCA/USPS-T24-32.

[Redirected to the Postal Service.]

OCA/USPS-T24-33. Please refer to LR-H-188, and the table on page 15.

- a. Please confirm that the column "Average Rental Cost (\$/sq.ft.)" is the average rental cost per square foot for each carrier delivery group. If you do not confirm, please explain the assumptions made and used to allocate rental costs from carrier delivery groups "City-other" and Non-city" to Fee Group E.
- b. Assuming rental costs are allocated from carrier delivery groups "City-other" and "Non-city" to Fee Group E, please explain whether the average rental cost for Fee Groups C, D and E would be higher or lower than the average rental cost for carrier delivery groups "City-other," "Non-city" and "Non-Delivery," respectively.

RESPONSE:

- a. Not confirmed. As originally filed, the table on page 15 of USPS-LR-H-188 was average rent by delivery group, as you state. However, an erratum has been filed to LR-H-188, Item 3, that calculates the average rents by fee group. The assumptions are given on pages 15, 15A, and 15B of the revised library reference.
- b. The reclassification from delivery group to fee group actually makes little difference in the final estimate, i.e. the unit cost per box.

The comparison of rents is shown on page 15B of the revised LR-H-188. In dollars per square foot, the average rents are:

	<u>Fee Group</u>		<u>Delivery Group</u>
C	\$7.71	City-other	\$7.71
D	\$6.19	Non-city	\$6.00
E	\$6.70	Nondelivery	\$7.19

OCA/USPS-T24-34. Please refer to LR-H-188, and the table on page 15.

- a. Please confirm that Fee Group A consists only of post offices rated CAG A. If you do not confirm, please explain and provide a tabulation of the number of post offices by CAG for Fee Group A.
- b. Please confirm that Fee Group B consists only of post offices rated CAG A-D. If you do not confirm, please explain and provide a tabulation of the number of post offices by CAG for Fee Group B.
- c. Please confirm that Fee Group C consists only of post offices rated CAG A-K. If you do not confirm, please explain and provide a tabulation of the number of post offices by CAG for Fee Group C.
- d. Please confirm that Fee Group D consists only of post offices rated CAG A-L. If you do not confirm, please explain and provide a tabulation of the number of post offices by CAG for Fee Group D.
- e. Please confirm that Fee Group E consists only of post offices rated CAG A-L. If you do not confirm, please explain and provide a tabulation of the number of post offices by CAG for Fee Group E.

RESPONSE:

The question mischaracterizes fee groups in that they apply to customers at certain groups of post offices, not post offices *per se*. See the definitions at USPS-T-24, page 2. The confusion can be corrected simply by inserting "customers at" between "of" and "post" in each part. The questions would then take the form:

"Please confirm that Fee Group X consists only of customers at post offices rated CAG Y-Z."

With that understanding, the responses are as follows:

- a. Previously confirmed in response to OCA/USPS-T24-4.
- b-c. The data to perform the required calculations are in USPS LR-H-222.
1. d-e. Confirmed, since the entire range of CAG designations is listed.

OCA/USPS-T24-35.

[Redirected to the Postal Service.]

OCA/USPS-T24-36. Please refer to USPS Library Reference F-183, at 15, from Docket No. R90-1, where it states “that CAG A and B offices tend to be located in higher-rent urban areas, while CAG K and L offices tend to be located in lower-rent rural areas.”

- a. Do you agree with the statement quoted above?
- b. If you do not agree, please explain, and provide citations and references to any reports, studies, analysis or other documents (and file as a library reference) that support your disagreement. If your disagreement is based upon discussions with Postal Service employees or knowledgeable persons not in the employ of the Postal Service, please identify such employees or persons.
- c. Please define the terms “urban” and “rural” as used in the statement quoted above.

RESPONSE:

a-c. *Library Reference F-183 is quoted correctly, but I do not have information sufficient to confirm. However, since CAG A and B offices are larger, the quotation seems reasonable. While I have no particular basis for knowing how the terms “urban” and “rural” were used, I would accept the standard dictionary definitions. A variation of this question was addressed in the response to OCA/USPS-88(n-o), Docket No. MC96-3, Tr. 8/2915-2917.*

DECLARATION

I, Paul M. Lion, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Paul M. Lion

Dated: 8/15/97

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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August 15, 1997