

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, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS SCHERER
(OCA/USPS-T30-17, 18, 19(a)-(c), 20(a) and 21)

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T30-17, 18, 19(a)-(c), 20(a) and 21, filed on December 10, 2001, and redirected from witness Scherer.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys

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December 26, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
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REDIRECTED FROM WITNESS SCHERER**

OCA/USPS-T30-17. Please provide estimates by the separations listed below (which reflect the rate structure of Priority Mail) for (1) the percentage of pieces in the test year that will travel only on surface transportation, and (2) the percentage of pieces in the test year that will travel on Fedex air. Percentages given for (1) and (2) should sum to 100 percent.

- (a) Zones L, 1, 2, and 3
- (b) Zone 4
- (c) Zone 5
- (d) Zone 6
- (e) Zone 7
- (f) Zone 8

RESPONSE:

(a) – (f) Please see the response to OCA/USPS-T28-2(c). As described in that response, historic and current data are not available regarding the amount of Priority Mail or any other class or subclass of mail that travels by air or any other mode of transportation. Therefore, the Postal Service cannot accurately project future volumes that will travel by air or any other mode of transportation.

In addition, we disagree with the assertion that the percentages requested in (1) and (2) should sum to 100 percent. Although figures are not available, a portion of Priority Mail in the Test Year is planned to travel on passenger air transportation.

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OCA/USPS-T30-18. Please refer to USPS-T-30 at 14, l. 14 – 18. Confirm that for Priority Mail pieces transported by Fedex air, the transportation costs underlying the rates for such pieces generally will be unrelated to distance. If you are not able to confirm, then explain fully.

RESPONSE:

Confirmed. As described in witness Scherer's response to OCA/USPS-T-30-19 (h), FedEx air transportation costs have been treated as non-distance related in the development of the distance-related air transportation factor (see USPS-T-17, page 3, lines 14-16).

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OCA/USPS-T30-19. Please refer to witness Spatola's response to POIR No. 5, Question 8. For each of the city pairs listed, give the:

- (a) number of air miles travelled.
- (b) the Priority Mail zone.
- (c) the number of miles between the originating facility and the destinating facility.

RESPONSE:

- (a) For purposes of this response, the air miles traveled is assumed to be the Great Circle Miles on each air transportation leg of the routings specified in witness Spatola's response to POIR No. 5, Question 8. The resulting air mile calculations are presented in the table below in the column labeled (a). The first number in each routing is the sum of the air miles for each of the individual air legs. The miles on each air leg are listed below the total.
- (b) For the purposes of this response, the Priority Mail zone has been determined by comparing the number of miles calculated in part (c) to the standard Postal Service zone distances. The results are presented in the table below in the column labeled (b).
- (c) For the purposes of this response, the number of miles between the originating facility and destinating facility is assumed to be the Great Circle Miles between those two facilities. The results are presented in the table below in the column labeled (c).

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Routings	(a)	(b)	(c)
Miami, Florida and Chicago, Illinois:	1,331	6	1,190
FedEx Miami to the FedEx Memphis Hub	866		
FedEx Memphis Hub to FedEx Chicago	465		
Houston, Texas and Des Moines, Iowa:	979	5	816
FedEx Houston to the FedEx Memphis Hub	499		
FedEx Memphis Hub to FedEx Des Moines	480		
Los Angeles, California and Eureka, California:	3,400	4	575
FedEx Los Angeles to the FedEx Memphis Hub	1,633		
FedEx Memphis Hub to FedEx Sacramento	1,767		
Washington, DC and Bangor, Maine:	1,833	5	603
FedEx Dulles to the FedEx Memphis Hub	722		
FedEx Memphis Hub to FedEx Manchester	1,111		
Nashville, Tennessee and Wichita, Kansas:	457	5	607
FedEx Memphis Hub to FedEx Wichita	457		

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OCA/USPS-T30-20. Please refer to the testimony of another Postal Service witness in this proceeding – witness Kiefer. At page 22 of USPS-T-33 he describes intra-BMC transportation as having a “hub-and-spoke nature.”

- (a) Is this an apt description of the nature of the Fedex air transportation of Priority Mail? If not, explain fully.

RESPONSE:

- (a) In general, witness Kiefer’s description of intra-BMC transportation as having a “hub-and-spoke nature” is consistent with the nature of FedEx air transportation of Priority Mail; insofar as both networks generally utilize one or more centralized sorting facilities to distribute items to/from multiple locations.

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OCA/USPS-T30-21. What methods are being planned to inform Priority Mail customers about the difference in price between the one-pound and flat-rate Priority Mail rates and the over-on-pound rates?

- (a) What methods are currently employed to inform Priority Mail customers about the difference in price between one-pound and flat-rate Priority Mail rates? Are these rates prominently displayed in retail facilities? Please explain.
- (b) What information, if any, is prominently displayed in retail facilities informing Priority Mail customers about the advantages to them of using one-pound and flat-rate envelopes? Explain fully.

RESPONSE:

Final plans have not been made, but the Postal Service expects to follow normal implementation procedures for rate and classification changes. During a transition period following public announcement of the implementation date (for rate and classification changes) up until the implementation date, all post offices, stations and branches will be supplied with wall and door posters and rate cards highlighting, among other proposed changes to mail classes and services frequently used by retail customers, the new equivalency of the flat rate and the one-pound rate. A more detailed outline of rate and classification changes will be printed in the *Postal Bulletin* and in postal newsletters aimed at business mailers. Postmasters and postal managers will also be provided with implementation kits that include service talks for the purpose of informing sales associates and other postal employees of rate and classification changes. Priority Mail changes are an important feature of these talks and in some cases are the subject of an entire talk. The implementation kits also include fact sheets highlighting rate and classification changes and resulting benefits to customers.

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Following the transition period, retail lobbies will be supplied with permanent signage and posters reflecting new rates and the publication *Consumer's Guide to Postal Rates and Fees*, which will no doubt highlight the new application of the one-pound rate to the flat-rate envelope. The flat-rate envelope itself will indicate that the one-pound rate applies ("regardless of weight"). Finally, in addition to these printed materials, the Postal Service web site will be used as a communication tool to inform customers of rate and classification changes. The site will offer electronic versions of rate charts and summaries of rate and classification changes.

(a) While no side-by-side comparative information is displayed in retail lobbies to inform customers of the difference in price between the one-pound rate and the flat-rate-envelope rate, signage is prominently displayed in every retail lobby indicating that Priority Mail rates begin at \$3.50, which is the one-pound rate. In addition, the flat-rate envelope itself indicates that the two-pound rate applies ("regardless of weight"). This information can also be found in the publication *Consumer's Guide to Postal Rates and Fees*, which is available in all retail lobbies and includes a clear explanation of the difference in price between the one-pound rate and the flat rate.

Comparative rate information is also available at the Postal Service web site (www.usps.com or www.usps.gov). For example, from the home page, one can click

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on "Postage Rates & Fees/About Domestic Rates and Fees" and be clearly informed that the one-pound rate is \$3.50 and the flat rate \$3.95.

(b) Other than information on comparative rates, as explained in part (a) above, no information about the respective advantages of the one-pound rate and the flat-rate envelope is prominently displayed at postal retail facilities.

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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