

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

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POSTAL RATE AND FEE CHANGES, 2001

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Docket No. R2001-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MOELLER  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/SPS-T28-7 THROUGH 10)

The United States Postal Service hereby provides the responses of witness Moeller to the following interrogatories of the Office of the Consumer Advocate: OCA/SPS-T28-7 through 10, filed on December 10, 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

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December 26, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T28-7. Do you agree with the following statements made by the eminent economist, Alfred E. Kahn, in *The Economics of Regulation: Principles and Institutions*, (1970):

- (a) at page 210 (emphasis added), “[P]rice regulation alone is meaningless except in terms of some specified unit and *quality of service* . . .” If not, why not?
- (b) at page 22, quoting from Charles Stillman Morgan, *Regulation and the Management of Public Utilities*, (1923) at 270-71, “The determination of a rate without a determination of the quality of service rendered would be similar to an individual’s agreeing to pay a stipulated sum of money for a commodity without specifying the kind or grade of commodity he expects to receive in return for his outlay.” If not, why not?
- (c) at page 24, implying that, “poor service is economically the equivalent of high price . . .” If not, why not?

RESPONSE:

- (a) While I have not read the entire cited book, I would agree that the “quality of service” is a component of “value of service,” which does play a role in price regulation, at least in terms of postal ratemaking.
- (b) While I have not read the entire cited book, I agree that whenever an individual pays for a commodity or service, the individual generally has some expectation of the kind or grade of commodity or service he is purchasing.
- (c) While I have not read the entire cited book, and therefore not aware of the context of the cited phrase, I agree that “value” has at least two components – price and service – that are directly related.

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OCA/USPS-T28-8. Please confirm that nowhere in your testimony do you explicitly consider the degree to which the Postal Service meets/fails to meet service standards for the following subclasses:

- (a) First-Class letters and sealed parcels. If you do not confirm, then explain fully.
- (b) Priority Mail. If you do not confirm, then explain fully.
- (c) Express Mail. If you do not confirm, then explain fully.

RESPONSE:

- (a-c) I do not cite explicit measurements of service performance, but I do consider the value of service for each of the cited subclasses at pages 17,23,24 and 27.

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OCA/USPS-T28-9. Do you agree that meeting service standards close to one hundred percent of the time is one indicator of a high quality of service? If not, why not?

RESPONSE:

“Quality of service” could be evaluated in a number of ways, and meeting service standards more regularly would indicate higher quality, all else equal, than meeting them less regularly. Simply meeting a threshold of service 100 percent of the time, however, does not necessarily equate to a high quality of service. For instance, meeting a high threshold of service only 99 percent of the time might equate to a higher quality of service than meeting a low threshold of service 100 percent of the time.

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OCA/USPS-T28-10. Do you agree that a failure to meet service standards for a high percentage of volume is an indicator of low quality of service? If not, why not?

RESPONSE:

“Quality of service” could be evaluated in a number of ways, and meeting service standards less regularly would indicate lower quality, all else equal, than meeting them more regularly.

## 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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Michael T. Tidwell

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