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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF AMAZON.COM, INC.
(AMZ/USPS-T36—17-20)

The United States Postal Service hereby provides the responses of witness Mayo to the following interrogatories of Amazon.com, Inc.: AMZ/USPS-T36—17 to 20, filed on December 12, 2001. Interrogatory AMZ/USPS-T36—21 was redirected to witness Kingsley.

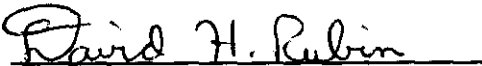
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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January 4, 2002

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AMZ/USPS-T36-17. Please refer to your response to AMZ/USPS-T36-4, part b, where you state “[a]s discussed in my testimony, USPS-T-36, page 38, lines 11-12, this classification proposal also takes into account the high value of service provided by *Delivery Confirmation*, both now and if this proposed classification change is implemented.” Also, please refer to your testimony at page 36 (l. 20) to page 37 (l. 2), where you state “[w]hile these early volume increases are promising, and the value of service is relatively high, the Postal Service believes it is appropriate to foster the continued growth and acceptance of this service to all users, both business and individuals, alike.” We understand that this section of your testimony addresses cost and cost coverage issues, nonetheless:

- a. Please explain generally how the proposed change, which eliminates a service currently available to Package Services mailers, will “foster the continued **growth** and **acceptance** of this service to **all users**, both business and individuals, alike” (emphasis added).
- b. Please assume that some of your current customers switch all of their package business, including but not limited to flat-shaped pieces, to private sector competitors because the Postal Service terminates *Delivery Confirmation* for flat-shaped pieces using Package Services while your competitors offer track-and-trace, and explain how in such circumstances you expect termination of the availability of this service would “foster continued growth.”

RESPONSE:

- a. The cite to my testimony refers to the “growth” and “acceptance” of *Delivery Confirmation* for all customers as the service matures. The proposed change would provide more consistent and reliable service for Package Services customers using *Delivery Confirmation*. Therefore, growth and acceptance should be fostered among *Package Services parcel customers*. *Package Service flats customers* may be

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AMZ/USPS-T36-17(a). (CONTINUED)

RESPONSE:

inconvenienced if they had to use a service other than Delivery Confirmation, do without Delivery Confirmation, or change their method of packaging to obtain Delivery Confirmation service, but this inconvenience would most assuredly be overshadowed by the benefits from more consistent and reliable service.

b. I would not see how my proposal would "foster.....continued growth" of Delivery Confirmation for current Package Services flats customers if they switched all of their package business to private sector competitors.

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AMZ/USPS-T36-18. Please refer to AMZ/USPS-T36-9(e), which asked “[w]hat is the estimated impact on Test Year After rates and volumes,” and your response that “[n]o market research was conducted.” Also, please refer to (i) your testimony at page 36 (ll. 20-21), where you state “while these early volume increases are promising, and the value of service is relatively high,” (ii) your testimony at page 33 (l. 19) to page 34 (l. 1), where you state “Delivery Confirmation was introduced mid-year in 1999. No meaningful volume comparison can be made from 1999 to 2000, as 1999 was the first year of the service,” and (iii) USPS-LR-J-92, page 25, which details a volume increase from 19,967,000 pieces in 1999 to 123,497,000 pieces in 2000.

a. For Base Year 2000, did you consider or estimate how much of this total volume consisted of flat-shaped pieces in Package Services using Delivery Confirmation that would be disqualified under your proposed classification change? If not, why not? Regardless of whether you considered this datum, please provide your best estimate of Base Year 2000 volume that would have been barred under your proposed classification change.

b. For Test Year 2003, did you consider or estimate how many flat-shaped pieces in Package Services that would be disqualified from using Delivery Confirmation service under your proposed classification change? If not, why not? Regardless of whether you considered this datum, please provide your best estimate of Test Year 2003 volume that would be barred under your proposed classification change.

c. Did you or any other witness estimate the effect of your proposed classification change on volume and revenues in TY 2003? If so, please indicate who, and where that estimate can be found.

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AMZ/USPS-T36-18. (CONTINUED)

- d. If your answer to the preceding part c is negative, is it your opinion or position that classification changes arising from operational concerns are unlikely to have any effect on volumes and revenues, or that volumes and revenues do not need to be taken into account when making classification changes? Whatever your answer, please explain your position.
- e. Please relate the effect that the proposed change will have on the results predicted in your testimony that “these early volume **increases** are promising, and the value of service is **relatively high**” (emphasis added). In particular, (i) how many Delivery Confirmation transactions will be lost due to the proposed classification change, and (ii) what impact will the proposed change have on the value of service for Delivery Confirmation service?

RESPONSE:

- a. – c. No. The Postal Service does not collect volume information on Delivery Confirmation by shape.

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AMZ/USPS-T36-18. (CONTINUED)

RESPONSE:

d. It is not my opinion or position that classification changes arising from operational concerns are unlikely to have any effect of volumes and revenues, or that volumes and revenues do not need to be taken into account when making classification changes. I have no reason to believe that the forecast Delivery Confirmation volumes for the Test Years are not reasonable.

e.

(i). Please see my response to a-c above.

(ii). The proposed change, if implemented, should increase the value of service for Delivery Confirmation. See my responses to AMZ/USPS-T36-4 (c-d) and 12 (h).

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AMZ/USPS-T36-19. Please refer to your response to AMZ/USPS-T36-2(c), where you state that “[m]y proposed change is not intended to increase the size of packages in the Package Services mail class.” This response was in reference to our question which described one possible and predictable reaction of mailers who use Package Services to “get around” the negative effect of the proposed change.

- a. With reference to AMZ/USPS-T36-2(b), do you acknowledge the possibility that Package Services mailers who desire to continue to receive Delivery Confirmation service could adjust their packaging in ways that would allow them to continue to receive this service (e.g., by exceeding one or more of the dimensions for flat-shaped pieces)?
- b. If your answer to preceding part a above is affirmative, please assume that some mailers do in fact change their packaging and explain what the proposed change would accomplish under such circumstances and how would it benefit the Postal Service.

RESPONSE:

- a. Yes.
- b. The proposed change, if implemented, would allow those customers that change their packaging to continue to use Delivery Confirmation service with Package Services. The change in packaging would also contribute to more consistent scanning for Delivery Confirmation service. Please see my responses to AMZ/USPS-T36-4 (c-d) and 17.

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AMZ/USPS-T36-20. Please refer to your response to AMZ/USPS-T36-4 (c) and (d), where you partially address the issue of “operational concern” raised in part c of our question, but fail to address our question in part d, which was:

Please explain how elimination of an existing service (for “non-parcels”) that customers desire and use will:

- (i) Make the Postal Service more competitive with other companies that provide *delivery service*; and
- (ii) Make the Postal Service more “customer focused” and “customer responsive.”

Please respond to this question.

RESPONSE:

(i). and (ii). The Postal Service would be able to provide more consistent and reliable service for Package Services Delivery Confirmation customers. Please see my responses to AMZ/USPS-T36-4 (c-d) and 5 (c).

DECLARATION


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


SUSAN W. MAYO

Dated: JANUARY 4, 2002

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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January 4, 2002