

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 MOELLER TO INTERROGATORIES OF
THE ASSOCIATION OF ALTERNATE POSTAL SYSTEMS
(AAPS/USPS-T36-1-6)

The United States Postal Service hereby provides responses of witness Moeller to the following interrogatories of the Association of Alternate Postal Systems: AAPS/USPS-T36-1-6, filed on September 5, 1997.

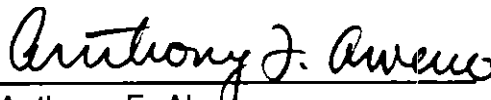
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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September 19, 1997

U.S POSTAL SERVICE WITNESS MOELLER RESPONSE TO
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SYSTEMS

AAPS/USPS-T36-1. In response to VP-CS/USPS-T36-10, you state that there is no performance measurement system in place for third-class mail. Because quality of service is such an important input into the assignment of institutional costs, please explain why the Postal Service has no such system in place.

RESPONSE:

As stated in response to VP-CW/USPS-T36-9, there have been a number of attempts to measure service performance for individual mailers' mail with the goal of developing nationally representative performance figures; however, it is my understanding none of these efforts culminated in a performance measurement system.

The criterion of 39 U.S.C. s.3622(b) to which this question presumably refers calls for the consideration of the value of the mail service actually provided each class or type of mail service. A performance measurement system is not required for this criterion to be considered.

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AAPS/USPS-T36-2. You testify that you are proposing a residual-shape surcharge for Standard Mail of 10 cents per piece even though Postal Service Witness Crum demonstrates a cost difference in excess of 35 cents. (a) One of the reasons for your proposal to hold the surcharge to 10 cents is to mitigate the impact of the potential increase in rates on customers. Please provide any studies performed by or for the Postal Service that support the notion that a surcharge in excess of 10 cents per page [sic] would have a significantly adverse impact on customers. (b) Does the 35 cents cost difference reflect in-office costs alone, or does it reflect carrier costs while delivering mail?

RESPONSE:

a. *I know of no studies regarding the impact of the residual shape surcharge.*

However, as noted in my response to OCA/USPS-T36-15(b), some residual shape pieces would experience effective rate increases in excess of 50 percent under the proposed rates.

b. Carrier costs are included.

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AAPS/USPS-T36-3. What are the implicit cost coverages for Standard A,
residual pieces?

RESPONSE:

Please see my response to PSA/USPS-T36-4.

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AAPS/USPS-T36-4. Is it the Postal Service's intention to increase the surcharge so that it comes close to reflecting the actual cost difference? Does the Postal Service have a schedule for doing so?

RESPONSE:

Please see my response to OCA/USPS-T36-10.

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AAPS/USPS-T36-5. At page 27, you state that the Postal Service proposes to pass through thirty-five percent of the shape differential between ECR letters and non-letters. How much would the ECR non-letter rates increase if 100% of this differential were passed through?

RESPONSE:

One can get an idea of the rates that would be produced by the rate design formula with 100 percent passthrough by entering 1.0 for the passthroughs in Worktable C of WP1, page 17 (USPS LR-H-202). Such an exercise would not necessarily produce results that would allow one to determine "how much ECR non-letter rates" would increase, however, since the rates produced would be subject to a different set of after-rates volumes and might not result in the target cost coverage.

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AAPS/USPS-T36-6. Does the Postal Service consider that it faces greater competition for ECR letters or ECR flats?

RESPONSE:

The Postal Service views the higher-density advertising Standard Mail (A) subclass, Enhanced Carrier Route, as facing greater competition, regardless of shape. I am not aware of a distinction made between ECR letters and flats.

DECLARATION

I, Joseph D. Moeller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.




JOSEPH D. MOELLER

Dated: September 19, 1997

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.


Anthony F. Alverno

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