

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 O'HARA
TO INTERROGATORY OF
ASSOCIATION OF ALTERNATIVE POSTAL SYSTEMS
(AAPS/USPS-T30-1)**

The United States Postal Service hereby files the response of witness O'Hara to the following interrogatory of the Association of Alternative Postal Systems, filed September 5, 1997: AAPS/USPS-T30-1.

The 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


Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202)268-2998/FAX: -5402
September 19, 1997

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
INTERROGATORIES OF THE ASSOCIATION OF ALTERNATE POSTAL
SYSTEMS**

AAPS/USPS-T30-1. You conclude on page 35 that, because the ECR subclass has a "very high cost coverage" the "rate increase does not result in unfair competition" for Postal Service competitors. In this regard, (a) please confirm that the Postal Service is proposing rate decreases of as much as 18% for certain heavier ECR pieces? (b) please confirm that the Postal Service is proposing rate decreases even in the 4-7 ounce range, where there is substantial competition, (c) please state the Postal Service's estimate of how many ECR pieces and what percentage of ECR pieces will enjoy rate decreases under this proposal, and (d) please describe what efforts the Postal Service made to determine whether the rate decreases proposed will have an adverse impact on competitors or on competition.

RESPONSE:

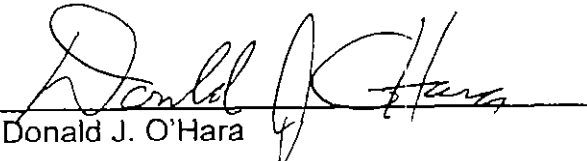
- a. Confirmed that the proposed rates will result in an 18% decrease for any pieces weighing (almost) 16 ounces entered at the Destination Delivery Unit (DDU), unless such pieces are subject to the residual-shape surcharge.
- b. Confirmed that the proposed rates result in decreases for some but not all of the rate cells in the 4-7 ounce range. For example, for 4-ounce pieces entered at the DDU, rates increase 2.6% for Basic ECR and decrease 0.7% for Saturation ECR. At 5-ounces, which is the average weight for all ECR pound-rate pieces, the rate decreases for DDU-entered pieces are 2.2% for Basic ECR and 5.4% for Saturation ECR.
- c. Pound-rated pieces account for 7.431 billion pieces or 23.8% of test-year after-rates ECR volume (USPS-T-36, WP 1, p. 20); since rates will increase for some of pound-rated mail, as noted in my response to part b, the number and percentage of ECR pieces receiving rate decreases will be somewhat less than this.

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- d. These rate decreases are not due to any Postal Service attempt to target competitors; the proposed cost coverage for the ECR subclass is 228%. The rate decreases result from aligning rates more closely with Postal Service costs (USPS-T-36 at p.24 line 7 through p. 26, line 2); also, other advertising media already have rates that are less sensitive to weight than current Postal Service rates (USPS-T-36 at p. 26, lines 3-7). A quantitative assessment of the effects on competitors would require information on competitors' costs, prices, and volumes, and as far as I am aware this information is not available. A qualitative assessment by an industry source is contained in the material from Optimum Delivery cited by witness Moeller in his response to NAA/USPS-T36-28 provides; this material suggests that alternate delivery would continue to have a competitive advantage relative to the Postal Service even with Postal Service pound rates similar to those proposed in this case.

DECLARATION

I, Donald J. O'Hara, hereby declare, under penalty of perjury, that the foregoing Docket No. R97-1 interrogatory responses are true to the best of my knowledge, information, and belief.


Donald J. O'Hara

9-19-97
Date

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in cursive script, appearing to read "M. Tidwell", written over a horizontal line.

Michael T. Tidwell

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Washington, D.C. 20260-1145
September 19, 1997