

DOCKET SECTION

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

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS O'HARA
TO INTERROGATORIES OF
THE ASSOCIATION OF PRIORITY MAIL USERS
(APMU/USPS-T30-1 THROUGH 6)**

The United States Postal Service hereby files the responses of witness O'Hara to the following interrogatories of the Association of Priority Mail Users, filed September 10, 1997: APMU/USPS-T30-1 through 6.

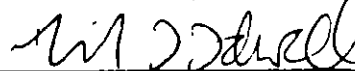
The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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September 24, 1997

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
INTERROGATORIES OF THE ASSOCIATION OF PRIORITY MAIL USERS**

APMU/USPS-T30-1.

In your testimony, at page 27, you state that Priority Mail "enjoys the convenience of the collection system for the unzoned two-pound rate packages that constitute a large share of its volume." As you know, however, all Priority Mail pieces weighing more than one pound currently must be entered at a post office counter. This requirement will continue to be enforced during the Test Year. (See response to NDMS/USPS-T33-11.)

- a. When you were setting the cost coverage for Priority Mail, did you consider that nearly 45 percent of unzoned two-pound rate mailpieces (see response to NDMS/USPS-T33-7), and nearly 56 percent of total Priority Mail volume, weigh more than one pound?
- b. Does the fact that less than half of total Priority Mail volume in the Test Year will enjoy the convenience to which you refer support your proposed cost coverage? Please explain your answer fully.
- c. Please confirm that all First-Class Mail 'enjoys the convenience of the collection system.' If you do not confirm, please explain your answer fully.

RESPONSE:

Please note that it is only stamped pieces weighing more than one pound that may not be deposited in collection boxes; metered pieces weighing more than one pound may still be deposited in collection boxes (see supplemental response to NDMS/USPS-T33-11, filed 9/24/97). Also, as part of the collection system, carriers may collect stamped pieces weighing more than one pound from known customers.

- a. No; please see my response to parts b and c.
- b. I believe that well over half of Priority Mail volume does have access to the collection system, given that 44% of the volume weighs less than one pound and that a significant portion of the remainder will be metered or, if stamped, collected by carriers from known customers; thus, this "fact" is incorrect.
- c. Not confirmed; workshared mail, which is about 43% of test-year First-Class Mail letters, does not enjoy the convenience of the collection system.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
INTERROGATORIES OF THE ASSOCIATION OF PRIORITY MAIL USERS**

APMU/USPS-T3-2.

- a. Please confirm that local Priority Mail has an overnight service commitment/standard identical to that for First-Class Mail (i.e., the geographic areas with an overnight service commitment are identical). If you do not confirm, please explain in full how they differ.
- b. Please confirm that Priority Mail has a two-day service commitment/standard identical to that for First-Class Mail (i.e., the geographic areas with an [sic] two-day service commitment are identical). If you do not confirm, please explain in full how they differ.
- c. Please confirm that Priority Mail has a three-day service commitment/standard identical to that for First-Class Mail (i.e., the geographic areas with an [sic] three-day service commitment are identical). If you do not confirm, please explain in full how they differ.

RESPONSE:

- a. Confirmed that the overnight commitment area for Priority Mail is generally the same as that for First-Class Mail.
- b. Not confirmed. Two-day service commitments for Priority Mail generally include a number of metropolitan areas that are outside the two-day commitment area for First-Class Mail.
- c. Not confirmed; as a consequence of differences noted in part b, a smaller portion of the country is left in the three-day service area for Priority Mail than in that for First-Class Mail.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
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APMU/USPS-T30-3.

Please refer to your testimony, on page 27, that "the Priority Mail [own] price elasticity (-0.77) is **considerably higher** than that of First-Class Mail, indicating a lower economic value of service" (emphasis added). In light of:

- the fact that all First-Class Mail "enjoys the convenience of the collection system," while less than half of Priority Mail enjoys such convenience;
- the existing differences between First-Class Mail and Priority Mail service commitments; and
- the fact that Priority Mail has a considerably higher own price elasticity;

how does the application of rate-setting criterion 2 (39 U.S.C. sec. 3622(b)(2)) to both First-Class Mail and Priority Mail support nearly equal (within 0.6 percent) cost coverages? Please explain your answer fully.

RESPONSE:

First, the coverages for the two subclasses were set with reference to all the criteria, as discussed for each subclass in my testimony, not just with reference to criterion 2. Second, only one of the three items mentioned in your question, price elasticity, clearly points toward a lower value of service for Priority Mail.

Please see my answers to APMU/USPS-T30-1 and -2.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
INTERROGATORIES OF THE ASSOCIATION OF PRIORITY MAIL USERS**

APMU/USPS-T30-4.

When the new Priority Mail network becomes operational, within the states served by this new network, will the areas with

- a. an overnight service commitment/standard (i) remain the same, (ii) be enlarged, or (iii) be reduced? Please explain your answer, and quantify changes in service where possible.
- b. a two-day service commitment/standard (i) remain the same, (ii) be enlarged, or (iii) be reduced? Please explain your answer, and quantify changes in service where possible.
- c. a three-day service commitment/standard (i) remain the same, (ii) be enlarged, or (iii) be reduced? Please explain your answer, and quantify changes in service where possible.

RESPONSE:

a-b. I am informed that some changes are anticipated both from overnight to two-day and from two-day to overnight. While the exact change in areas cannot be specified until the network is fully implemented, it is expected that the overnight area will be enlarged somewhat, and the two-day area reduced.

c. I am informed that, within the states served by the network, it is expected that the three-day area will be greatly reduced.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
INTERROGATORIES OF THE ASSOCIATION OF PRIORITY MAIL USERS**

APMU/USPS-T30-5.

Are window clerks provided information, specific to their postal facility, as to which 3-digit zip codes do not have:

- a. an overnight service commitment/standard for Priority Mail?
- b. a two-day service commitment/standard for Priority Mail?

Please explain your answer, and provide samples of such information provided to window clerks.

RESPONSE:

a-b. I am informed that window clerks are provided with information as to which 3-digit ZIP Codes are beyond the two-day commitment area for their facility (so that when Priority Mail for such a destination is presented they can inform the customer of this fact). This information is currently provided through the Integrated Retail Terminals (IRTs), not in hard-copy.

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APMU/USPS-T30-6.

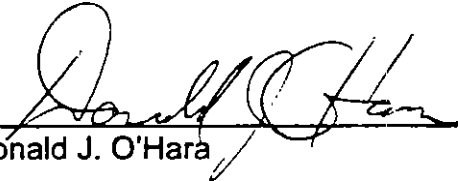
Some Priority Mail users currently plant-load directly to airmail centers. Will these mailers be permitted to continue that practice if they are located within the area served by the network? If not, how will the Postal Service ensure that they receive the same expeditious service that they currently receive?

RESPONSE:

I am informed that, because airport mail centers (AMCs) will no longer perform distribution of Priority Mail, entry of these plant-loads at AMCs will no longer be permitted. Instead, the Postal Service will facilitate plant loads to the PMPC where the mail will be processed, or to the nearest plant served by the PMPC. It is expected this arrangement will not have any negative effect on the service received by this mail.

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

9-24-97
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.



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September 24, 1997