

# DOCKET SECTION

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS NEEDHAM TO INTERROGATORIES OF  
DOUGLAS F. CARLSON  
(DFC/USPS-T39-14-16, AND 19-24)

The United States Postal Service hereby provides responses of witness Needham to the following interrogatories of Douglas F. Carlson: DFC/USPS-T39-14-16, and 19-24, filed on September 18, 1997. Objections to interrogatories DFC/USPS-T39-17-18 were filed on September 29, 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

David H. Rubin  
David H. Rubin

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2986; Fax -5402  
September 30, 1997

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DFC/USPS-T39-14.

- a. If the fees for single-sale stamped envelopes that you have proposed are approved, please confirm that the fee for a non-hologram envelope will be \$0.07 and the fee for a hologram envelope will be \$0.08. If you do not confirm, please explain.
- b. Please confirm that the two-tier structure described in part (a) will cause confusion among customers. If you do not confirm, please explain all reasons why you believe that this fee structure will not cause customer confusion.
- c. If you do not confirm in part (b), please confirm that customers may be confused initially but will understand the fee structure over the long term. If you do not confirm, please explain fully.
- d. Is the Postal Service concerned about the confusion that may arise from a fee structure that charges different fees for two types of stamped envelopes?
- e. Does the Postal Service believe that the negative effects of any confusion that exists in the short term due to the two-tier fee structure will be mitigated by the benefits of this two-tier fee structure over the long term?

RESPONSE:

- a) Confirmed.
- b) Not confirmed. Those customers who currently only purchase single hologram stamped envelopes would have a fee increase, if approved, of two cents for the envelope. Those customers purchasing single stamped envelopes would be given a non-hologram stamped envelope unless they

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DFC/USPS-T39-14. Continued

b) Continued

asked to see a selection. It would be at this point that the clerk would relay the price difference between a non-hologram and a hologram stamped envelope. I believe that customers would typically understand that an additional one-cent charge for the hologram stamped envelope reflects the significant cost and appearance differences between hologram and non-hologram stamped envelopes.

c) Not confirmed. See my response to DFC/USPS-T39-14(b).

d) The Postal Service does not view the fee proposal as confusing based on the explanation provided in response to part b. Additionally, it is important to note that the stamped envelope proposal simplifies the current fee structure significantly through the aggregation of all non-hologram and non-banded stamped envelopes into categories by size and whether or not they are printed.

e) The Postal Service does not agree that there will be confusion. The two-tier system does better reflect cost differences between hologram and non-hologram stamped envelopes.

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DFC/USPS-T39-15. Are customers confused by the fact that they must pay 38 cents for a stamped envelope even though the rate for mailing a single-piece, non-presorted, first-class letter is only 32 cents? If so, is this confusion a problem?

RESPONSE:

No. I am not aware of such confusion. I believe that current stamped envelope customers realize the total price they pay for a stamped envelope is for postage plus the fee for an envelope. First-time stamped envelope customers could figure out that the difference between the total charge for a stamped envelope and the price they pay for stamps must be an additional charge for the envelope. I expect that if these customers did not figure this out, when asking the clerk they would be informed of what the total price comprises.

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DFC/USPS-T39-16. Has the price of a stamped envelope (currently, 38 cents) caused some customers to believe that the rate for mailing a one-ounce, non-presorted, first-class letter also is 38 cents? Please explain why or why not.

RESPONSE:

With a 32-cent postage stamp impressed upon a stamped envelope, I believe it is highly unlikely that a customer would believe that the First-Class Mail, first ounce, non-presorted rate would be anything other than 32 cents.

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DFC/USPS-T39-19. Please provide the before-rates and after-rates cost coverages for all types of single-sale stamped envelopes.

RESPONSE:

Assuming the same costs for before rates and after rates, from LR-H-107, page 55, and using the volumes and revenues from USPS-T-39 WP-15, the implicit single sale stamped envelope cost coverages are as follows:

	Before Rates	After Rates
6 ¾ Non-Hologram	57%	66%
10 Non-Hologram	54%	63%
10 Hologram	48%	64%

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DFC/USPS-T39-20. Does the Postal Service believe that the distinctive appearance of the preprinted postage on some stamped envelopes adds value to stamped envelopes.

RESPONSE:

See my testimony, USPS-T-39, at page 96, lines 17-23, and page 97, lines 1-4, for a discussion of the value of service provided by stamped envelopes. The Postal Service primarily provides single stamped envelopes as a convenience for customers in a hurry to mail something while at the post office, for customers who do not want to affix stamps to envelopes, and for customers who do not, for whatever reason, wish to purchase an envelope and a stamp separately.

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DFC/USPS-T39-21.

- a. Does the Postal Service believe that the distinctive, attractive appearance of the preprinted postage on many multi-colored, 20-cent stamped cards that the Postal Service currently sells adds value to a stamped card?
- b. Might some customers use a stamped card instead of a private post card because they enjoy or believe that the addressee will enjoy the distinctive, attractive appearance of the preprinted postage on a stamped card?

RESPONSE:

- a) See my testimony, USPS-T-39, at page 89, lines 8-16, for a discussion of the value of service provided by stamped cards, as presented by the Postal Service. The Postal Service primarily provides single stamped cards as a convenience to customers in a hurry to correspond, and for customers who do not wish to purchase a card and a stamp separately, or affix a stamp to a card. For individuals, both collectors and non-collectors alike, there may be a value of the particular stamp on the card or the fact that the postage is impressed.
- b) This is quite possible, although I know of no research on this subject.



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DFC/USPS-T39-22. Please refer to your response to DFC/USPS-T40-10.

- a. Please confirm that DFC/USPS-T40-10 asked you to answer the question by focusing on only DMM S912.1.1 and S917.1.1.
- b. Please provide a copy of the page(s) from the DMM that indicate that DMM S912.1.1 refers to "return receipt requested after mailing" and "restricted delivery".
- c. If appropriate, please provide the confirmation that was requested in DFC/USPS-T40-10.

RESPONSE:

- a) Confirmed that the question, which was redirected from witness Plunkett to me, referred to only DMM S912.1.1 and S917.1.1.
- b) The DMM section that refers to return receipt requested after mailing and restricted delivery availability for certified mail is S912.1.4. The response to DFC/USPS-T40-10 incorrectly identified DMM S912.1.1.
- c) I can only confirm that each of the basic characteristics listed in DMM S912.1.1 for the description of certified mail also appear in the basic characteristics listed in DMM S917.1.1 for the description of return receipt for merchandise. I cannot confirm that these basic characteristics are complete, as elements, aspects or characteristics, because certified mail, particularly when combined with return receipt service, is superior to return receipt for merchandise service.

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DFC/USPS-T39-23. Please refer to your response to DFC/USPS-T40-11.

- a. Please confirm that metered Priority Mail that weighs over 16 ounces can be deposited in street collection boxes. If you do not confirm, please explain and provide appropriate documents.
- b. Please confirm that certified mail to which a return receipt is attached may be deposited in street collection boxes. If you do not confirm, please explain.
- c. Please cite the DMM section that offers a duplicate return receipt to a customer who purchased return receipt for merchandise.

RESPONSE:

- a) Confirmed.
- b) Confirmed.
- c) Please see DMM S915.4.0 which applies to return receipt for merchandise service as well as return receipt service.

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DFC/USPS-T39-24. Please refer to your response to DFC/USPS-T39-7. Please also refer to the Commission's Opinion and Recommended Decision in Docket No. MC96-3 at page 64, where the Commission wrote, "On this record the Commission also finds unconvincing the Postal Service's arguments for giving increased weight to demand when pricing post office boxes. The Service has not provided sufficient evidence of demand for box service. While CMRAs may be in competition with post office boxes, both Carlson and Popkin raise pertinent questions about the comparability of their services". Where in your testimony in Docket No. R97-1 do you provide evidence about demand for box service that you did not already provide in Docket No. MC96-3?

RESPONSE:

Aside from personal knowledge of post offices throughout the country enlarging their box sections over the past year to accommodate growing demand, no formal research was done on post office box service demand in preparation for this rate case proceeding. Therefore, there is no new evidence concerning demand for post office box service presented in my Docket No. R97-1 testimony.

I would like to add that your testimony in Docket No. MC96-3 provided evidence of your personal demand for box service, in various locations and for various reasons. Although the Commission may have found the Postal Service's arguments unconvincing for giving increased weight to demand when pricing post office boxes, the Postal Service believes your testimony shows demand for box service.

# DECLARATION

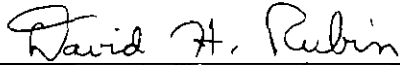
I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: 9/30/97

## 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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David H. Rubin

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Washington, D.C. 20260-1137  
September 30, 1997