

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268B0001

EXPERIMENTAL PRIORITY MAIL FLAT-RATE  
Box, 2004

Docket No. MC2004-2

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS THOMAS M. SCHERER  
TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE,  
(OCA/USPS-T1-26-27)  
(July 8, 2004)

The United States Postal Service hereby files responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T1-26-27, filed on June 24, 2004. Interrogatories OCA/USPS-T1-21-25 were redirected to the Postal Service.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS SCHERER  
TO OCA INTERROGATORY

**OCA/USPS-T1-26.** At page 14 of your testimony you state that your ultimate objective is to estimate net revenue and contribution impacts of the experiment. Do you agree that cost differences in offering a PM flat-rate box alternative may also have an impact on contribution and net revenue? If you do not agree, please explain. If you do agree, then what steps do you plan to take to measure the impact of cost differences? What steps does the Postal Service plan to take to measure the impact of cost differences?

**RESPONSE:**

I agree that any cost differences that might exist between the flat-rate box and its Priority Mail antecedents before migration could have an impact on contribution (net revenue) from the proposed experiment. The referenced statement at page 14 of my testimony did not envisage estimating any such cost differences. The Postal Service is proposing the flat-rate box as a new Priority Mail service option. The proposed rate is derived from, and therefore achieves comparability with, the existing Priority Mail rate schedule. The Postal Service does not intend to evaluate cost changes from within-subclass migrations, for two reasons. First, I am informed that cost data that might permit comparison of respective rate categories are not available. This should not preclude adoption of the proposed flat-rate box because in most respects, the flat-rate box and its antecedents will have similar costs. For example, the contents will weigh the same and the pieces will travel over the same number of zones. Second, to the extent that the costs of the flat-rate box and its antecedents may differ in some respects, these differences are not expected to be atypical of the averaging that characterizes existing Priority Mail rate categories (e.g., flat-rate envelope, weight- and zone-rated options) and rate cells. Invariably, some amount of rate

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**Response to OCA/USPS-T1-26 (Cont.)**

averaging is necessary in the face of cost heterogeneity, especially to the extent that rate simplicity is to be achieved.

RESPONSE OF POSTAL SERVICE WITNESS SCHERER  
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**OCA/USPS-T1-27.** Does the Postal Service intend to observe and report on operational differences in entering flat-rate PM versus pound/zone-rated PM? If not, why not.

**RESPONSE:**

The Postal Service intends to observe such differences, to the extent that they are observable. Please refer to the sample user-survey questions in Attachment A of my testimony. Question No. 2 indicates that an attempt will be made to identify the method of entry into the postal system. Cross-referenced to Question No. 7, some information about the change in method of entry (flat-rate box vs. if the mail piece were (still) weight- and zone-rated) can be also derived. Any such differences observed would be reported in a subsequent filing for a permanent classification (if any).

## 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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