

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 DAVID B. POPKIN
(DBP/USPS-T1-11-16)
(July 27, 2004)

The United States Postal Service hereby files the response of witness
Thomas M. Scherer to the following interrogatories of David B. Popkin:
DBP/USPS-T1-11-16, filed on July 13, 2004.

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 DAVID B. POPKIN INTERROGATORIES

DBP/USPS-T1-11. In your response to DBP/USPS-T1-2 subpart b, you indicated that other participants in the preparation of this Docket expressed a concern about the confusion between using the flat-rate box and the lower non-flat-rate postage option. In response to subpart c you indicated that the details of these concerns was provided in section IV(B) of your testimony. Which specific lines of your testimony provide the details?

RESPONSE:

My response to DBP/USPS-T1-2, part (b) did not reference any “confusion” between using the flat-rate box and other Priority Mail options. I only noted that some participants (in the development of the docket) expressed a concern that by being priced above some other Priority Mail options, the flat-rate box might create a risk that some customers might pay more than necessary for a given shipment. This concern was the only extant “detail” applicable to DBP/USPS-T1-2, part (c). The substance of the concern was addressed in the entirety of section IV.B of my testimony.

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DBP/USPS-T1-12. Please refer to section IV(B) of your testimony. You indicate that it can be presumed that customers are rational economic agents who will act in their own best interests. While I can agree that sophisticated mailers will normally have sufficient information available to make an educated decision, my concern is with the non-sophisticated mailer.

[a] Do you agree that there are mailers who may not have sufficient knowledge of the rate structure to make an educated decision that will be in their own best interests?

[b] Please explain your response to subpart a.

[c] Do you believe that there is an obligation for the Postal Service to provide sufficient information to the users of the system to allow them to make an educated decision that will be in their own best interests?

[d] If not, please explain your reasons for this belief. If so, please provide details of the methods that will be utilized by the Postal Service to fulfill this obligation.

RESPONSE:

(a)-(b) While I agree that it is possible that some mailers may not have sufficient knowledge of the rate structure to make informed decisions regarding postal purchases, for the reasons stated in section IV.B of my testimony, I believe that Priority Mail customers generally will be able to make such decisions about the flat-rate box that are in their own best interests. I also believe that even if mailers do not have immediate access to a rate chart or have Priority Mail rates committed to memory, they generally should have a learned sense of Priority Mail rates from their previous use of the product. This can provide a frame of reference for making decisions about the flat-rate box that are in customers' own best interests.

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(c)-(d) If you are referring to the Postal Service's legal obligations, I am not prepared to comment on them. I am also not aware of any, nor have I personally defined any, particular information obligations with respect to the flat-rate box.

I can say, however, that some non-zero amount of information, typically made available by the Postal Service, is needed by customers to make postal purchase decisions that are in their own best interests.

I am informed that the Postal Service has not yet determined its communication/information plans for the flat-rate box.

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DBP/USPS-T1-13. In your responses to DBP/USPS-T1-7 and 8, it appears to indicate that the studies relied only on the volume of the parcel and not with whether the particular parcel could have utilized either or both of the proposed flat-rate boxes. You indicate that parcels that can fit into the flat-rate box any not be representative of those that will actually migrate to the flat-rate box.

[a] Please confirm, or explain if you are not able to do so, that there are parcels that have a volume of 0.34 cubic feet or less that could not utilize either or both of the flat-rate boxes primarily because of their size or shape.

[b] How many of the boxes evaluated in the study that contain articles that would not be able to utilize either or both of the proposed flat-rate boxes could be considered as migrating to the flat-rate box?

[c] If your response to subpart b is any number greater than zero, please explain how that piece could migrate to a flat-rate box.

[d] Do you feel that the referenced calculation starting on line 18 of page 3 of your testimony would have been more accurate had it been limited to parcels that would fit into either or both of the proposed flat-rate boxes? Please explain your answer.

RESPONSE:

(a) Confirmed.

(b) None.

(c) Not applicable.

(d) No. This was fully explained in the second paragraph of my response to

DBP/USPS-T1-7.

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DBP/USPS-T1-14. You indicate that the sampling study was conducted from October 2002 to January 2003.

[a] Please confirm, or explain if you are not able to do so, that this time period includes the holiday season.

[b] Please advise the effect on the study by conducting it at this time of the year.

RESPONSE:

(a) Confirmed, assuming you are referring to the Christmas, Chanukah, Kwanzaa, and New Year's holidays.

(b) Redirected to witness Loetscher.

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DBP/USPS-T1-15. Please refer to your response to DFC/USPS-5. Irrespective of the reason or reasons that the Postal Service may feel that issuance of a separate stamp in the exact denomination of the new rate might not be the best solution, are you stating that the Postal Service does not have the ability to issue stamps of any denomination? If so, please explain why not.

RESPONSE:

The response to DFC/USPS-5 was institutional, not mine. I am informed that the process leading to the creation of a specific stamp of any denomination is lengthy, making timely production of a stamp for the flat-rate box experiment difficult.

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DBP/USPS-T1-16. In your response to DBP/USPS-T2-11 subpart i you indicate that customers who elect to use the flat-rate box will do so not by default or out of habit.

[a] Please advise how customers, both sophisticated and non-sophisticated, will be able to intelligently make a volitional departure from well-established custom and utilize the flat-rate box when it will be to their advantage to do so.

[b] Do you feel that it is a satisfactory condition for a customer to continue to utilize the weight- and zone-rate because they are not aware of the new service option so long as they are no worse off than before? Please explain.

RESPONSE:

(a) I expect that Priority Mail customers of all types will generally decide whether or not to use the flat-rate box based on its comparative price and based on non-price attributes such as its potential convenience and ease of use.

Section IV.B of my testimony and my response to DBP/USPS-T1-12 (a) and (b) explained why this will generally be an informed choice. Section IV.B of my testimony and my response to DBP/USPS-T2-11 (i) explained why opting for the flat-rate box will generally constitute a “volitional departure from well-established custom.”

(b) Yes. As long as some customers benefit from – *i.e.*, derive value from – the flat-rate box while all others are no worse off than before, then the flat-rate box unambiguously enhances overall consumer welfare.

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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