

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
[OCA/USPS-186-193]

The United States Postal Service hereby provides its responses to the above-listed interrogatories of the Office of the Consumer Advocate filed on June 28, 2005.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

OCA/USPS-186. With respect to the single-piece First-Class first-ounce rate implemented June 30, 2002, and pursuant to this rate change:

- a. Please identify the different nondenominated (i.e., U.S. Flag and Antique Toy, etc.) stamps issued having a postage value of \$0.37.
- b. Please provide the total number of nondenominated stamps printed.
- c. Please provide the total number of nondenominated stamps distributed for sale.
- d. Please provide the total number of nondenominated stamps sold.
- e. Please provide the total number of (1) the nondenominated stamps having a postage value of \$0.37 identified in subpart a. above, and (2) the \$0.34 denominated stamps issued prior to June 30, 2002, recalled from distribution as unneeded inventory.
- f. Please provide the total number of (1) the nondenominated stamps having a postage value of \$0.37 identified in subpart a. above, and (2) the \$0.34 denominated stamps issued prior to June 30, 2002, destroyed as unneeded inventory.
- g. Please provide the total cost of designing the different nondenominated stamps identified in subpart a., above.
- h. Please provide the total cost to print the nondenominated stamps.
- i. Please provide the total cost to distribute the nondenominated stamps.
- j. Please provide the total cost to sell the nondenominated stamps.
- k. Please provide the total cost to recall from distribution as unneeded inventory (1) the nondenominated stamps having a postage value of \$0.37 identified in subpart a. above, and (2) the \$0.34 denominated stamps issued prior to June 30, 2002.
- l. Please provide the total cost to destroy as unneeded inventory (1) the nondenominated stamps having a postage value of \$0.37 identified in subpart a. above, and (2) the \$0.34 denominated stamps issued prior to June 30, 2002.

Please explain all subparts that the Postal Service is unable to answer.

RESPONSE:

- a. There were two basic stamp issues: U.S. Flag, single design; and Antique Toys, four designs.
- b. Total nondenominated stamps printed, as identified in response to subpart (a): 5,944,040,000.
- c. See the response to subpart (b) above.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

RESPONSE to OCA/USPS-186 (continued):

- d. Sales at that time were tracked by face value rather than item number, so that specific sales of the nondenominated stamps cited in response to subpart (a) would be co-mingled with all other 37-cent stamps. It is estimated that 85-95 percent of the nondenominated stamps printed and distributed were sold in the period leading up to and following the rate change.
- e. (1) & (2) Stamps are not withdrawn from sale because they are in excess as a result of a rate change and they are not recalled from distribution. These stamps are kept in circulation for sale with make-up rate stamps or, where possible, to make up postage rates for larger items deposited in the mail stream.
- f. (1) & (2) Stamps are not destroyed as unneeded as a result of a new rate implementation. As stamps run their course, measured by usage, they are removed from sale.
- g. The stamps cited in response to subpart (a) above were designed and ultimately issued as denominated postage stamps, so that there were no significant additional design costs associated with the creation of the nondenominated versions.
- h. Total cost to print the stamps cited in response to subpart (a): \$17,661,643.
- i-l. See the responses to subparts (e) and (f). Otherwise, the Postal Service has no data that would isolate any of these particular costs.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

OCA/USPS-187. With respect to the single-piece First-Class first-ounce rate implemented June 30, 2002, and pursuant to this rate change:

- a. Please identify the different nondenominated make-up rate stamps issued having a postage value of \$0.03.
- b. Please provide the total number of nondenominated make-up rate stamps printed.
- c. Please provide the total number of nondenominated make-up rate stamps distributed for sale.
- d. Please provide the total number of nondenominated make-up rate stamps sold.
- e. Please provide the total number of (1) nondenominated make-up rate stamps having a postage value of \$0.03 identified in subpart a., above, and (2) \$0.01 denominated make-up rate stamps issued between January 7, 2001, and June 30, 2002, recalled from distribution as unneeded inventory.
- f. Please provide the total number of (1) nondenominated make-up rate stamps having a postage value of \$0.03 identified in subpart a., above, and (2) \$0.01 denominated make-up rate stamps issued between January 7, 2001, and June 30, 2002, destroyed as unneeded inventory.
- g. Please provide the total cost to print the nondenominated make-up rate stamps identified in subpart a., above.
- h. Please provide the total cost to distribute the nondenominated make-up rate stamps.
- i. Please provide the total cost to sell the nondenominated make-up rate stamps.
- j. Please provide the total cost to recall from distribution as unneeded inventory (1) nondenominated make-up rate stamps having a postage value of \$0.03 identified in subpart a., above, and (2) \$0.01 denominated make-up rate stamps issued between January 7, 2001, and June 30, 2002.
- k. Please provide the total cost to destroy as unneeded inventory (1) nondenominated make-up rate stamps having a postage value of \$0.03 identified in subpart a., above, and (2) \$0.01 denominated make-up rate stamps issued between January 7, 2001, and June 30, 2002,.

Please explain all subparts that the Postal Service is unable to answer.

RESPONSE:

- a. None.
- b. None.
- c. None.
- d. None

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

RESPONSE to OCA/USPS-187 (continued):

- e. (1) N/A. (2) None. Denominated low-value stamps, such as 1-cent and 3-cent stamps, remain on sale indefinitely. They would not be recalled as unneeded inventory.
- f. (1) N/A. (2) None.
- g. N/A.
- h. N/A.
- i. N/A.
- j. (1) & (2) N/A, see the response to subpart (f) above.
- k. N/A.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

OCA/USPS-188. With respect to the single-piece First-Class first-ounce rate implemented January 7, 2001, and pursuant to this rate change:

- a. Please identify the different nondenominated stamps issued having a postage value of \$0.34.
- b. Please provide the total number of nondenominated stamps printed.
- c. Please provide the total number of nondenominated stamps distributed for sale.
- d. Please provide the total number of nondenominated stamps sold.
- e. Please provide the total number of (1) the nondenominated stamps having a postage value of \$0.34 identified in subpart a., above, (2) the \$0.33 denominated stamps issued prior to January 7, 2001, and (3) the nondenominated "H" rate stamps issued prior to January 7, 2001, recalled from distribution as unneeded inventory.
- f. Please provide the total number of (1) the nondenominated stamps having a postage value of \$0.34 identified in subpart a., above, (2) the \$0.33 denominated stamps issued prior to January 7, 2001, and (3) the nondenominated "H" rate stamps issued prior to January 7, 2001, destroyed as unneeded inventory.
- g. Please provide the total cost of designing the different nondenominated stamps identified in subpart a., above.
- h. Please provide the total cost to print the nondenominated stamps.
- i. Please provide the total cost to distribute the nondenominated stamps.
- j. Please provide the total cost to sell the nondenominated stamps.
- k. Please provide the total cost to recall from distribution as unneeded inventory (1) the nondenominated stamps having a postage value of \$0.34 identified in subpart a., above, (2) the \$0.33 denominated stamps issued prior to January 7, 2001, and (3) the nondenominated "H" rate stamps issued prior to January 7, 2001.
- l. Please provide the total cost to destroy as unneeded inventory (1) the nondenominated stamps having a postage value of \$0.34 identified in subpart a., above, (2) the \$0.33 denominated stamps issued prior to January 7, 2001, and (3) the nondenominated "H" rate stamps issued prior to January 7, 2001.

Please explain all subparts that the Postal Service is unable to answer.

RESPONSE:

- a. There were three basic and one special stamp issues: U.S. Farm Flag, single design; Flowers, four designs; Statue of Liberty, single design; and Love, single design.
- b. Total nondenominated stamps printed, as identified in subpart (a):7,153,750,000.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

RESPONSE to OCA/USPS-188 (continued):

- c. Same as (b) above.
- d. Sales at that time were tracked by face value rather than item number, so that specific sales of the nondenominated stamps cited in (a) would be co-mingled with all other 34-cent stamps.
- e. (1), (2) & (3) Stamps are not withdrawn from sale because they are in excess as a result of a rate change, and they are not recalled from distribution. These stamps are kept in circulation for sale with make-up rate stamps or, where possible, to make up postage rates for larger items deposited in the mail stream.
- f. (1), (2) & (3) Stamps are not destroyed as unneeded as a result of a new rate implementation. As stamps run their course, measured by usage, they are removed from sale.
- g. The stamps cited in (a) above were designed and ultimately issued as denominated postage stamps, so that there were no significant additional design costs associated with the denominated version.
- h. No responsive information has been located.
- i-l. See the responses to the subparts above. Otherwise, the Postal Service has no data that would isolate any of these particular costs.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

OCA/USPS-189. With respect to the single-piece First-Class first-ounce rate implemented January 7, 2001, and pursuant to this rate change:

- a. Please identify the different nondenominated make-up rate stamps issued having a postage value of \$0.01.
- b. Please provide the total number of nondenominated make-up rate stamps printed.
- c. Please provide the total number of nondenominated make-up rate stamps distributed for sale.
- d. Please provide the total number of nondenominated make-up rate stamps sold.
- e. Please provide the total number of (1) nondenominated make-up rate stamps having a postage value of \$0.01 identified in subpart a., above, and (2) \$0.01 denominated make-up rate stamps issued between January 10, 1999, and January 7, 2001, recalled from distribution as unneeded inventory.
- f. Please provide the total number of (1) nondenominated make-up rate stamps having a postage value of \$0.01 identified in subpart a., above, and (2) \$0.01 denominated make-up rate stamps issued between January 10, 1999, and January 7, 2001, destroyed as unneeded inventory.
- g. Please provide the total cost to print the nondenominated make-up rate stamps identified in subpart a., above.
- h. Please provide the total cost to distribute the nondenominated make-up rate stamps.
- i. Please provide the total cost to sell the nondenominated make-up rate stamps.
- j. Please provide the total cost to recall from distribution as unneeded inventory (1) nondenominated make-up rate stamps having a postage value of \$0.01 identified in subpart a., above, (2) \$0.01 denominated make-up rate stamps issued between January 10, 1999, and January 7, 2001, and (3) the nondenominated "H" rate make-up stamps issued between January 10, 1999, and January 7, 2001.
- k. Please provide the total cost to destroy as unneeded inventory (1) nondenominated make-up rate stamps having a postage value of \$0.01 identified in subpart a., above, (2) \$0.01 denominated make-up rate stamps issued between January 10, 1999, and January 7, 2001, and (3) the nondenominated "H" rate make-up stamps issued between January 10, 1999, and January 7, 2001.

Please explain all subparts that the Postal Service is unable to answer.

RESPONSE:

- a. None.
- b. None.
- c. None.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

RESPONSE to OCA/USPS-189 (continued):

- d. None
- e. (1) N/A. (2) None. Denominated low-value stamps, such as 1-cent and 3-cent stamps, remain on sale indefinitely. They would not be recalled as unneeded inventory.
- f. (1) N/A. (2) None.
- g. N/A.
- h. N/A.
- i. (1) & (2) N/A, see the response to (e) above.
- j. (1) & (2) N/A, see the response to (f) above.
- k. N/A.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

OCA/USPS-190. With respect to the single-piece First-Class first-ounce rate implemented (a) January 7, 2001, and (b) June 30, 2002, please identify all USPS incremental costs associated with these rate changes, such as advertising, public information, stamp production and distribution, window time, overtime, customer call center expense, collection of postage due, etc.

RESPONSE:

The Postal Service has not compiled responsive cost data that could be said to represent the incremental costs associated with implementing those particular rate changes.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

OCA/USPS-191. Please provide any economic, marketing, or other research, studies or reviews available to the Postal Service concerning the experience of foreign postal administrations that offer nondenominated postage to retail postal customers for single-piece items.

RESPONSE:

The Postal Service assumes that any research, studies, and reviews available to it are also available to the Office of the Consumer Advocate. Accordingly, in preparing a response to this interrogatory, the Postal Service has not solicited outside sources to determine the availability of any responsive materials not already in its possession.

In 2002, an e-mail inquiry was directed to the postal administrations in Great Britain, France and Italy. Attached is a summary of an e-mail chain reflecting the information obtained from Great Britain. Also attached is a copy of a print-out of the French e-mail response. There is no record of any response that may have been obtained from Italy.

FILE -
NON-VALUE STAMPS

Non-value Stamp: Royal Mail

Obtaining information on this program has been extremely difficult. There is no central contact for the program at Royal Mail and we have obtained information from at least six different individuals.

Royal Mail introduced "non-value" stamps approximately 13 years ago. At that time, stamp prices were increasing on an annual basis. The purpose of the non-value stamps is that even if the rate changes the stamp is still valid for the service. Accordingly, the price for the non-value stamp is always the current stamp price.

Royal Mail initial position was that the non-value stamps offer a cost saving. When rates change, they do not have to withdraw stock and print new stamps at the new rate. This clearly had a more significant impact when prices changed on an annual basis. They also stated that positive PR was obtained from their introduction. Customers favored the use of non-value stamps as they could be used continually without having to add low value stamps to bridge the gap created when prices increased. The non-value stamps are available for first-class, second-class and Euro. Although not confirmed, they estimated that these services provide about 7.5 percent of total revenue.

Royal Mail has a current goal to change prices on regulated services every three to five years. Although they believe there is some escalation in purchase of the non-value stamps prior to a rate increase, they do not view this as a major problem. Essentially, there is no effort to limit these purchases. They merely sell the same non-value stamps at the new rate on the date the rate change is effective.

The use of non-value stamps presents a problem in determining the amount of deferred revenue (PIHOP - postage in hands of the public). Royal Mail sends post cards to selected customers and requests information on the number and type of stamps on hand. They do this on a monthly basis.

Clearly, in its present format, the use of non-value stamps is strictly for customer convenience. They believe there is extremely limited value in the program as it relates to the potential to earn interest on the funds obtained through the purchase of these stamps.

Set up mtg

Colvin, Jeff L - Washington, DC

From: bernard.roy@laposte.fr at INTERNET
Sent: Friday, July 12, 2002 6:21 AM
To: Colvin, Jeff L - Washington, DC
Cc: Beck, Carol - Washington, DC; Alenier, Howard S - Washington, DC;
antoine.dimaggio@laposte.fr at INTERNET; joelle.toledano@laposte.fr at INTERNET
Subject: un-denominated stamps



X (2 KB)



BERNARDR.VCF
(259 B)

Dear Jeff,

We are very sorry for not answering sooner to your mail.

La Poste does offer non denominated stamps. They are available for the first weight step (below 20 grams) for urgent domestic mail. They are also used for international mail in Zone 1 (most european destinations) below 20 grams. They are always available, and for a lifetime. To my knowledge, no financial problem has been mentionned. Actually, I believe it's a good commercial thing, as people don't have to buy extra-stamps when there is an increase in prices...

I will forward this e-mail to Mr Antoine DI MAGGIO.
He is the head manager of the "national service of postal stamps and philately". He is the specialist of these questions, and is also a very good professional. If you need to investigate furthermore, he or one member of his team will be glad to answer your questions. You will find his e-mail on the list up front ; his telephone number is 33 1 44 12 19 00. He suggested to organize a telephone appointment to answer you, with a member of his team who is very fluent in english.

Best regards,
Bernard.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

OCA/USPS-192.

- a. Has the Board of Governors' approved a policy opposing the issuance of a nondenominated single-piece, First-Class first-ounce stamp that would be sold to postal customers at a price equal to the single-piece, First-Class rate at the time of sale, and that postal customers could use that stamp without regard to subsequent changes in the single-piece, First-Class rate? If so, please elaborate.
- b. Is Postal Service management opposed to the issuance of a nondenominated single-piece, First-Class first-ounce stamp that would be sold to postal customers at a price equal to the single-piece, First-Class rate at the time of sale, and that postal customers could use that stamp without regard to subsequent changes in the single-piece, First-Class rate? If so, please elaborate and provide any supporting research, analysis, studies, or other documents on which the Postal Service management bases its reasoning.

RESPONSE:

- a. Neither the Board nor senior management has made a policy determination one way or the other.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORY**

OCA/USPS-193.

- a. Assume the Postal Service has issued a nondenominated single-piece, First-Class first-ounce stamp that is sold to postal customers at a price equal to the single-piece, First-Class rate at the time of sale, and that postal customers may use that stamp without regard to subsequent changes in the single-piece, First-Class rate. Is it the Postal Service's expectation that postage in the hands of the public would rise in anticipation of a subsequent increase in the single-piece, First-Class rate? Please explain and quantify the response.
- b. Assume the Postal Service has issued a nondenominated single-piece, First-Class first-ounce stamp that is sold to postal customers at a price equal to the single-piece, First-Class rate at the time of sale, and that postal customers may use that stamp without regard to subsequent changes in the single-piece, First-Class rate. Is it the Postal Service's expectation that postage in the hands of the public would rise more if the expected percentage increase in the single-piece, First-Class rate is "large?" Please explain and quantify the response.
- c. Assume the Postal Service has issued a nondenominated single-piece, First-Class first-ounce stamp that is sold to postal customers at a price equal to the single-piece, First-Class rate at the time of sale, and that postal customers may use that stamp without regard to subsequent changes in the single-piece, First-Class rate. Is it the Postal Service's expectation that it will earn more interest income for the time value of additional prepaid postage should postage in the hands of the public rise in anticipation of a subsequent increase in the single-piece, First-Class rate? Please explain and quantify the response.

RESPONSE:

- a-c. The Postal Service has not evaluated possible changes in Postage in the Hands Of the Public if such a stamp were offered.