

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 NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T30-21 THROUGH 25)**

The United States Postal Service hereby files the responses of witness O'Hara to the following interrogatories of the Newspaper Association of America, dated September 17, 1997: NAA/USPS-T30-21 through 25.

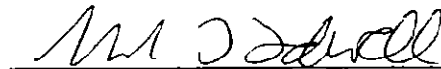
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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October 1, 1997

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
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NAA/USPS-T30-21. Please refer to your response to DMA/USPS-T30-4(b). You state that Standard A Mail is "deferrable at any point in the postal system from deposit to delivery, unless such mail has been combined with First-Class Mail, such as during the first pass of delivery-point sequencing."

- a. Please provide all studies or analyses that estimate that amount of Standard A Mail which is combined with First-Class Mail prior to the city delivery carrier.
- b. Does the Standard A Mail which is combined with First-Class Mail receive a higher level of service than this mail has traditionally received? Please explain your response.
- c. Does the Standard A Mail which is combined with First-Class Mail receive a higher level of service than Standard A Mail which is not combined with First-Class Mail? Please explain your response,

RESPONSE:

a. I have been unable to identify any studies or analyses that estimate the amount of Standard (A) mail which is combined with First-Class Mail prior to the city delivery carrier; it is my understanding that this would apply only to barcoded letters destinating in zones where delivering point sequencing is performed on DBCSs.

b.-c. The effect on level of service is unclear. Because the ability to defer is lost once Standard (A) mail has been combined with First-Class, postal operations managers may sometimes elect to preserve flexibility by deferring mail at the plant that, in absence of DPS, would have been sent to the carrier and delivered without deferral. In any case, the decision not to defer such mail at the plant is within the discretion, and for convenience, of the Postal Service and cannot be relied upon by the mailers of this type of Standard (A) mail.

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NAA/USPS-T30-22. Please refer to your response to NAA/USPS-T30-1.
Please describe all aspects of the "value of service" which are not measured in the own-price elasticity.

RESPONSE:

Any aspect of value of service may be reflected in the own-price elasticity, but because it is a summary measure, I know of no way to identify which specific aspects of service are included and to what degree.

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NAA/USPS-T30-23. Please refer to your response to NAA/USPS-T30-11(a).

- a. Please define your interpretation of "direct substitutes."
- b. Please explain why you do not consider the Automation 5-digit service in Standard Regular mail to be a "direct substitute" for the ECR basic mail service, given that mailers can choose to enter their mail as Automation 5-digit rather than ECR basic in response to rate differences.

RESPONSE:

a.-b. I may have misinterpreted the original question as referring to the entirety of Standard (A) Regular and Standard (A) ECR, rather than these two specific rate categories, which might reasonably be characterized as direct substitutes.

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NAA/USPS-T30-24. Please refer to your response to NAA/USPS-T30-14(c).

- a. Please confirm that the "loss in economic efficiency" depends upon how much the rates derived using your proposed cost coverages deviate from the Ramsey prices derived by Witness Bernstein. If you cannot confirm this statement, please explain why.
- b. Please confirm that the "loss in economic efficiency" that would result if incremental costs were used as attributable costs rather than marginal costs also depends upon how much the rates derived from the cost coverages applied to the incremental costs deviate from Ramsey prices, If you cannot confirm this statement, please explain why.
- c. Please provide a calculation of the loss in consumer welfare that results from rates derived using your proposed cost coverages rather than Ramsey prices.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Please see witness Bernstein's response to DMA/USPS-T31-2.

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NAA/USPS-T30-25. Please refer to your answer to NAA/USPS-T30-9. In designing rates, did you consider the following quotation from paragraph 4088 of the Commission's *Recommended Decision* in Docket No. R90-1 (Jan. 4, 1991):

... we have reviewed the unit contribution from low cost subclasses to be assured that they are providing more than minimal amounts to offset Institutional costs. Should a separate subclass be established for mail which had practically no attributable costs, we would expect that subclass to provide a meaningful contribution in unit terms, even if this would compute to an extremely high markup index.


- a. If you did consider this quotation and the discussion in the *Recommended Decision* of which it is a part, please explain what effect did your consideration have on your proposed institutional cost assignments to First Class and Standard (A) Regular and ECR mail.
- b. If you did not, please explain why not.

RESPONSE:

a.-b. I was aware of the quoted portion of the Docket No. R90-1 Opinion and Recommended Decision, but it had no effect on my proposed coverages simply because none of the subclasses for which I was proposing rate levels came close to the hypothetical situation addressed in the quotation.

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

10-1-97
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.

A handwritten signature in black ink, appearing to read "MT Tidwell", written over a horizontal line.

Michael T. Tidwell

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October 1, 1997