

**DOCKET SECTION**

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

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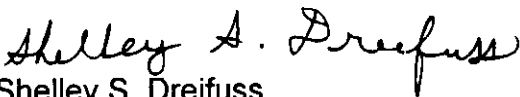
Postal Rate and Fee Changes, 1997 )

Docket No. R97-1

**ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE  
WITNESS: GAIL WILLETTE (USPS/OCA-T400-1-11)  
(JANUARY 27, 1998)**

The Office of the Consumer Advocate hereby submits the answers of Gail Willette to interrogatories of United States Postal Service, dated January 13, 1998. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,



Shelley S. Dreifuss

Attorney

Office of the Consumer Advocate

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-1. In your testimony at page 34, lines 11-12, you state, "CEM [courtesy envelope mail] addresses the continuing erosion of bill payment mail to electronic means by providing consumers a convenient, less expensive way to pay their bills."

(a) Please explain the convenience features of CEM.

(b) Is it your contention that CEM offers the consumer greater convenience than today's courtesy reply envelopes already provide? If so, please explain how CEM enhances convenience for consumers.

(c) Is it your contention that the two first-ounce stamps that would be required if CEM were adopted would be more convenient for consumers than the present system which requires only one first-ounce stamp? If so, please explain how two stamps would be more convenient.

(d) CEM requires consumers to purchase and maintain two first-ounce stamp denominations. What impact do you expect this will have on the convenience of through-the-mail bill payment. Please explain.

(e) From the perspective of the household sender of one-ounce First-Class Mail letters, which is more convenient: the present one-stamp system or your proposed two-stamp system?

A. (a)-(b) CEM offers the same convenience that other Courtesy Reply Mail does, with the added feature of reduced postage. In fact today's CRM is the future CEM.

(c) No.

(d) I would expect it to have very little impact except that consumers will be pleased to be able to mail at a discount, something large mailers have been able to do for years. Note that CEM does not "require" consumers to purchase and maintain two sets of stamps; CEM is optional to the consumer.

(e) I would expect the convenience to be the same for both. I would not characterize the occasional purchase of a CEM stamp booklet as inconvenient, since this purchase could be made at the same time as other stamps are purchased.

Furthermore, if the Postal Service were to make two-denomination stamp booklets (i.e.,

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

containing regular First Class and CEM stamps) widely available, consumers could purchase such booklets as conveniently as they purchase 32-cent stamp booklets today.

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-2. On page 14, lines 5-6, of your testimony, you reference Library Reference MCR-88 from Docket No. MC95-1. Please refer to the attachment to this interrogatory, which consists of two cover pages and Table 9 from that library reference. As indicated in the attachment, Library Reference MCR-88 is entitled "Rate Change Telephone Survey" and is dated January 14, 1991. Table 9 is titled "Perceived Convenience of Two-Tiered First-Class Stamp Structure."

(a) Please confirm that 68 percent of households considered using two stamps either somewhat inconvenient or very inconvenient (34.1 percent plus 33.9 percent, per Table 9).

(b) Please confirm that 72.1 percent of households considered buying two stamps either somewhat inconvenient or very inconvenient (31.9 percent plus 40.2 percent, per Table 9).

(c) Please confirm that 70.1 percent of households considered keeping a supply of two stamps either somewhat inconvenient or very inconvenient (30.4 percent plus 39.7 percent).

A. (a)-(c) Confirmed.

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-3. On page 13 of your testimony, lines 2-10, you quote a portion of witness Fronk's response to OCA/USPS-T32-134(a) in which he was discussing the importance of convenience and the relative unimportance of PRM price in a household's selection of bill payment method. He noted that on average households receive about 12 bills per month. At a proposed PRM price of 3 cents below the First-Class Mail single-piece rate, this represented a savings of 36 cents per month [assuming in this calculation that all bills were paid using PRM]. On page 13 of your testimony, lines 12-14 and 15-21, you state that the 12 bills-a-month/36 cents-savings-a-month estimate by witness Fronk represents a reasonable assessment of CEM's monetary impact on many households and that households might find saving between four and five dollars a year attractive.

(a) Please explain how this savings estimate was calculated.

(b) Does this estimate of savings between four and five dollars a year assume that all 12 bills are paid using a CEM envelope? If so, what is this basis for this assumption?

(c) In your opinion, is it realistic to assume that all bills paid by households will be paid using a CEM envelope?

(d) Assume that two-thirds of household bills, or 8 bills per month, are paid using a CEM envelope and that the other four bills are paid using other means such as in-person, electronic, or via customer-supplied envelope. Please confirm that this translates into annual savings of \$2.88.

A. (a) The \$0.36 per month times 12 months equals \$4.32.

(b) Yes. As a practical matter, if CEM is implemented, I would be surprised if households did not use CEM postage for all qualifying pieces. The use of PRM, on the other hand, requires creditors and other correspondents to voluntarily offer PRM to customers.

(c) If not all, certainly I would think most bill payments would bear CEM postage.

Please see my response to (b) above.

(d) Confirmed.

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-4. This question, like USPS/OCA-T400-2, involves Library Reference MCR-88 from Docket No. MC95-1, which is referenced in your testimony on page 14, lines 5-6. Later on page 14, lines 10-12, you state that at annual savings of \$5.00 a year, the study showed that 91 percent of the likely users seemed committed to using a discounted stamp.

(a) Please confirm that the only level of savings tested in this study was \$5.00 per year.

(b) This study was conducted seven years ago in January 1991. Assume that consumer prices have increased by 20 percent since then, or by a little under 3 percent per year. Under this assumption, confirm that (i) \$5.00 in 1998 is not worth as much as \$5.00 in 1991 and (ii) that a consumer would need to receive \$6.00 today to achieve the same purchasing power that \$5.00 provided in 1991.

(c) Please confirm that \$4.32 in annual savings (36 cents per month times 12 months) is significantly below the \$6.00 in annual savings needed to make the 1991 study results relevant.

A. (a) Confirmed.

(b) Confirmed.

(c) I cannot confirm that the study is irrelevant. I would note, however, that if the study results are irrelevant, the results discussed in your questions USPS/OCA-T400-2 and 5 are also irrelevant.

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-5. On page 14, lines 8-12, of your testimony, you state the following: "More than one-half (54 percent) of the survey respondents [referring to MCR-88 from Docket No. MC95-1] indicated they were likely to use both discounted and regular rate First-Class stamps. Even though the study hypothesized that respondents would only save about \$5.00 a year, 91 percent of the likely users seemed committed to using a discounted stamp." Stating the results just a little differently, the referenced study said that 54.4 percent of the respondents said they were likely to use the two stamps and 45.6 percent of the respondents said they were unlikely to use the two stamps. When the 54.4 percent likely to use the two stamps were told the savings were possibly only \$5.00 a year, 8.6 percent of these likely users would no longer be likely to use the discounted stamp (Tables 11 and 12 of MCR-88).

(a) Please confirm that 8.6 percent of the 54.4 percent likely to use both stamps represents 4.7 percent of all respondents (.086 times 54.4).

(b) Please confirm that at hypothesized savings of \$5.00 a year, over half of the total respondents would be unlikely to use two stamps (45.6 percent unlikely to use at the outset plus an additional 4.7 percent unlikely at only \$5.00 in annual savings is 50.3 percent).

A. (a) Confirmed.

(b) Confirmed.

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-6. Please explain the basis for your statement on page 14 (lines 1-2) that "for many households the bulk of their outgoing mail would be capable of bearing a CEM stamp."

A. For many households, the bulk of outgoing mail consists of CRM envelopes which would qualify for CEM postage.



ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-7. On page 11, lines 6-14, of your testimony you discuss a small informal study you directed your staff to conduct in order to determine the cost of amending existing CRM envelopes for CEM.

(a) Please indicate how many mailers were contacted. How was the survey conducted, e.g., via telephone?

(b) How many observations were used to develop the cost estimate for large orders and how many were used to develop the cost estimate for small orders?

(c) Please provide a copy of any written analyses or findings produced in conjunction with this informal survey.

(d) Please provide your estimate of the total costs to all mailers to amend their existing envelope stocks for CEM.

A. (a) Mailers were not contacted. Printers who appeared to offer comprehensive printing services were surveyed. A very limited sampling of these printers was conducted by telephone. I believe about a dozen were contacted initially. Some printers were not set up to handle high volumes. As a result, further inquiries were not made of these printers.

(b) I believe four of the observations were used.

(c) There was no written analysis or findings prepared except what I mentioned in my testimony.

(d) I have not prepared such an estimate.

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-8. Please identify all market research performed by the OCA or its contractors since January 1991 concerning Prepaid Reply Mail or a two-stamp CEM proposal. Please provide a copy of all records pertaining to such research, whether quantitative or qualitative, formal or informal, consumer-oriented or business-oriented.

A. Other than informal discussions with consumers, the OCA has not conducted such studies.

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-9. On page 34, lines 13-15, you state that, "In terms of complexity and ease of conversion to a new type of mail classification, CEM is vastly superior to PRM." Is it your contention that, from the perspective of consumers, CEM is vastly superior to PRM in terms of complexity and ease of conversion? If so, please explain.

A. Yes. To use CEM, consumers need only place a CEM stamp on a qualifying mail piece. PRM, on the other hand, requires consumers to convince CRM providers to offer the service.

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-10. Please identify all market research conducted by the OCA or its contractors concerning the ability or desire of retail businesses which sell postage stamps to the public (through consignment arrangements with the Postal Service) to offer two differently denominated basic First-Class Mail stamps to their customers seeking to purchase postage stamps? Please provide a copy of all records relating to such research.

A. The OCA has conducted no such studies.

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

USPS/OCA-T400-11. Please identify all market research conducted by the OCA or its contractors concerning the nature of any operational or logistical challenges which might be encountered by utility companies or other entities that stock large volumes of reply envelopes (to send to customers) in switching from their current envelope stock to CEM envelopes? Please provide a copy of all records relating to such research.

A. The OCA has conducted no such studies.

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

MC95-1  
MCR 88

Attachment  
USPS/OCA-T400-2

RATE CHANGE TELEPHONE SURVEY  
STUDY #1355

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

RATE CHANGE TELEPHONE SURVEY

-Report-

prepared for  
UNITED STATES POSTAL SERVICE

Prepared by  
NATIONAL ANALYSTS

A Division of Booz Allen & Hamilton Inc.

JANUARY 14, 1991

ANSWERS OF OCA WITNESS GAIL WILLETTE  
TO INTERROGATORIES USPS/OCA-T400-1-11

Table 9

PERCEIVED CONVENIENCE OF TWO-TIERED FIRST-CLASS  
STAMP PRICE STRUCTURE

<u>Convenience Level</u>	To Use 29¢ and 27¢ <u>Stamps</u> %	To Buy 29¢ and 27¢ <u>Stamps</u> %	To Keep a Supply of 29¢ and 27¢ <u>Stamps</u> %
	Very convenient	3.9	4.4
Somewhat convenient	21.4	18.4	19.4
Somewhat inconvenient	34.1	31.9	30.4
Very inconvenient	33.9	40.2	39.7
Don't know/Not sure	6.8	5.2	5.8
N =	(637)	(637)	(638)



DECLARATION

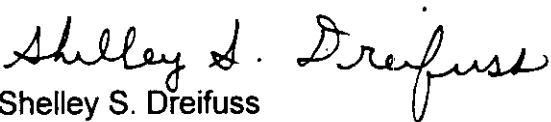
I, Gail Willette, declare under penalty of perjury that the answers to interrogatories USPS/OCA-T400-1-11 of the United States Postal Service are true and correct, to the best of my knowledge, information and belief.

Executed 1/27/98

Gail Willette

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.

  
Shelley S. Dreifuss  
Attorney

Washington, DC 20268-0001  
January 27, 1998