

ORIGINAL

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS NEEDHAM TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T8-19-27)

The United States Postal Service hereby provides responses of witness
Needham to the following interrogatories of the Office of the Consumer Advocate:
OCA/USPS-T8-19-27, filed on July 19, 1996.

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

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August 2, 1996

POSTAL RATE COMMISSION
DOCKETED
AUG 2 1996
OFFICE OF THE SECRETARY

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T8-19. Library Reference SSR-108, Registered Mail Survey, indicates that a number of large registered mail users desire and would use an Express Mail overnight registry service. In fact, at least one "desperately wants" this service.

- a) Did the Postal Service consider instituting such a service?
- b) If the Postal Service did consider such a service, please explain why it was rejected.
- c) If this was not considered, please explain why not, especially in light of the Service's concerns about market response and customer satisfaction.

RESPONSE:

- a) The Postal Service has analyzed the feasibility of instituting an Express Mail registry service.
- b) Registered mail is the most secure and accountable service the Postal Service offers. At each point throughout the registry system where custody for registered articles is transferred, the transferee must sign an acknowledgment of receipt. For extremely high value articles, alternative methods of delivery are employed, such as armed guards. These security and accountability measures could not be changed in a manner to facilitate the expeditious and guaranteed service offered by Express Mail.

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However, the Postal Service's concerns about market response and customer satisfaction prompted the proposal in this filing for an increase to the Express Mail merchandise indemnity limit from \$500 to \$5,000. This proposal, if implemented, should meet the needs of many customers desiring expedited delivery of relatively high value articles.

- c) Not applicable.

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OCA/USPS-T8-20. Library Reference SSR-108, Registered Mail Survey, indicates that some large registered mail users desire and would use a pickup service in conjunction with registry service.

- a) Did the Postal Service consider instituting such a service?
- b) If the Postal Service did consider such a service, please explain why it was rejected.
- c) If this was not considered, please explain why not, especially in light of the Service's concerns about market response and customer satisfaction.

RESPONSE:

- a) No.
- b) Not applicable.
- c) The Postal Service has not been presented with sufficient customer interest in a registered mail pickup service.

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OCA/USPS-T8-21. Library Reference SSR-108, Registered Mail Survey, indicates that at least one large registered mail user would like an increase in the maximum amount of insurance available for registered items (\$50,000 was the amount mentioned).

- a) Did the Postal Service consider raising the present \$25,000 limit of insurance?
- b) If the Postal Service did consider raising the limit, please explain why it was rejected.
- c) If this was not considered, please explain why not, especially in light of the Service's concerns about market response and customer satisfaction.

RESPONSE:

- a) No.
- b) Not applicable.
- c) The Postal Service has not received sufficient customer interest to warrant consideration of an indemnity increase for registered mail.

Incidentally, I note that the customer to whom the question refers spent only between \$0 to \$5,000 on registered mail in 1992. See USPS LR-SSR-109. This does not constitute a relatively "large" registered mail customer as your question suggests.

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OCA/USPS-T8-22. Please provide the percentage of certified mail and return receipt mail which is subject to the Private Express Statutes.

RESPONSE:

Data are not collected on the breakdown of certified mail or return subject to the Private Express Statutes. Therefore, the percentage of certified mail or return receipts subject to the Private Express Statutes is not available.

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OCA/USPS-T8-23. With reference to return receipt: the mailer puts his name and address on the reverse of the card and fills in the box labeled "3. Article Addressed to:" with the recipient's name and address. If the mailer has checked off box #1, requesting the addressee's address and the addressee has not moved, does the carrier normally re-enter the full address in box #8 or does he enter "same" or a similar phrase to indicate that the address is the same address as in box #3?

RESPONSE:

Carrier handbooks require that the carrier or clerk delivering the mailpiece enter the delivery address in box #8. Methods Handbook Series M-41 §336.2; Handbook PO-603 §§ 341.442, 341.542.

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OCA/USPS-T8-24. What percentage of return receipts which request the addressee's address have actually been forwarded and thus, the return receipt shows an address different from that listed by the sender? If you have no statistics on this, please give your best estimate and explain its basis.

RESPONSE:

No statistics are available on the percentage of return receipts that have been forwarded to a different address other than the one on the mailpiece. Based upon Docket No. MC95-1, USPS LR-MCR-76 pages 3-1 and 4-3, a proxy for the percentage of return receipts that are forwarded could be developed based on FY 93 data by estimating total forwarded mail volume as follows:

1	Total UAA Volume (First-Class, third-class, fourth-class, Priority, and Express)	4,629.645 mill.
2	Total RPW Mail Volume (First-Class, third-class, fourth-class, Priority, and Express)	159,403.24 mill.
3	Percent UAA Volume (1)/(2)	2.9%
4	Percent UAA Forwarded Volume	39%
5	Percent UAA Volume Forwarded (3) * (4)	1.13%

Source: USPS LR-MCR-76 pages 3-1, 4-3

It is important to keep in mind that under the Postal Service proposal, all return receipt customers who presently opt for the basic service will receive enhanced service, regardless of whether their return receipt pieces are actually forwarded. This is because customers will know whether the addresses they apply to their return receipt mailpieces are correct simply by checking the return receipt to see if a new address was printed in box #8 of the receipt.

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OCA/USPS-T8-25. What percentage of return receipts which do not request the addressee's address have actually been forwarded and thus, are delivered to an address different from that listed by the sender? If you have no statistics on this, please give your best estimate and explain its basis.

RESPONSE:

Please see my response to OCA/USPS-T-8-24.

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OCA/USPS-T8-26. You propose to combine two present alternatives of return receipt into one. Under the proposal all return receipt users will be notified if the delivery address is different from the one appearing on the mail piece. At page 86 of your testimony, concerning the rationale for this restructuring of return receipts, you state, “[t]he change would provide better service to customers who do not request delivery address information” and that this is “a value enhancement over the current basic service option. . . .”

Please explain how better service would be provided or value to the customers would be enhanced taking into account the following:

- a) Ninety-eight percent of regular return receipt customers do not request delivery address information at the time of mailing even though it is presently available. See Table XXIV, p. 84.
- b) Ninety-eight percent of the customers of return receipt would be provided with information that they presumably neither want nor care about (since they did not avail themselves of this option).
- c) These customers would pay a fee 36% higher to receive information which they previously had opted not to receive.

RESPONSE:

a, b and c) First, the 98 percent figure cited in the interrogatory is incorrect. In 1995, the volume of return receipts for which address information was requested at the time of mailing was almost 10 percent of total return receipt volume at the time of mailing (including return receipt for merchandise). See USPS-T-8, Table XXIV at p. 84. Notwithstanding, that customers presently do not make relatively high use of this option does not imply that they will not receive better service, or services they do not need or want. The return receipt proposal would provide address confirmation to all return receipt customers and represents a value-added

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enhancement to the basic service. In any event, if given the option between a pure fee increase or a fee increase with a value-added service enhancement, I am confident that customers would choose the latter.

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OCA/USPS-T8-27. Library Reference-SSR-109, Supplemental Materials Relating to Insured Mail Proposal, contains a "Mail Insurance Survey, 1993." This survey shows that a number of Postal Service customers ship high value parcels (e.g., values of \$20,000, \$50,000, and higher) with other carriers. See page 45. The "comment section" also shows that numerous large customers are requesting that the Postal Service provide higher insurance limits than those proposed in this docket. Maximums frequently mentioned are \$25,000 and \$50,000.

- a) In light of the results of this first survey, how did you determine that limits of \$2,000 to \$5,000 should be the subject of the second survey (Attachment 2)?
- b) Were limits higher than those proposed considered or studied? Please explain why they were rejected. In answering this question, please address the fact that UPS and Federal Express offer insurance up to \$50,000. See USPS-T-2 at 6.

RESPONSE:

a and b) The largest percentage of total insured parcel volume shipped with carriers other than the Postal Service between \$700 and \$2,000 was in the \$1,501 to \$2,000 category as reported in the 1993 survey results (Library Reference SSR-109, page 94). The 1996 survey was designed to gauge customer demand above the \$2,000 level. The \$5,000 cap was selected for several reasons. First, it represents a logical value cut-off point in terms of whole dollar multiples of \$1,000. Second, \$5,000 is easily memorable. Third, given the recent popularity surge in computer and other technological equipment, such as laptops, the Postal Service determined that mailers' indemnity requirements would probably have increased since 1993, particularly in the \$2,000 to \$5,000 range. Higher limits were not considered because the Postal Service wanted to have

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experience with the more moderate increase in the indemnity limit proposed in
the request.

DECLARATION

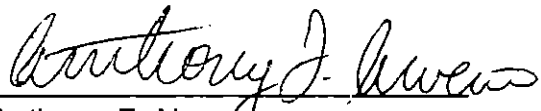
I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: August 2, 1996

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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August 2, 1996