

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
UNITED PARCEL SERVICE
(UPS/USPS-T8-1-8)

The United States Postal Service hereby provides responses of witness
Needham to the following interrogatories of United Parcel Service: UPS/USPS-T8-
1-8, filed on August 7, 1996.

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

Respectfully submitted,

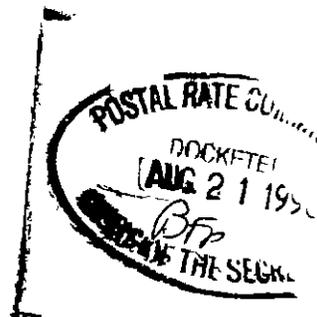
UNITED STATES POSTAL SERVICE

By its attorneys:

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August 21, 1996



RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM TO
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UPS/USPS-T8-1. Please refer to pages 26-58 of your testimony. With respect to the Postal Service's offering of insurance for mail and merchandise sent via domestic Express Mail:

- a) State the authority for the Postal Service to offer such an insurance product;
- b) List all licenses held by the Postal Service for authorization to sell such insurance;
- c) State the insurance company or companies underwriting such coverage;
- d) List all states in which each such insurance company is authorized to write such insurance; and
- e) Provide a copy of all insurance policies which spell out the terms and conditions of the Postal Service's coverage for such insurance.

RESPONSE:

- a) The authority for the Postal Service to offer insurance is federal law.
- b) None.
- c) None.
- d and e) Not applicable.

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UPS/USPS-T8-2. Please provide the complete underwriting analysis which supports the Postal Service's current and proposed insurance coverages and rates by class and subclass of mail, and by incremental insured values.

RESPONSE:

Not applicable.

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UPS/USPS-T8-3. Please provide claim loss data for each of the last five years by:

- a) Class and subclass of mail;
- b) Type of loss or damage, with the number of claims and total dollar value for each type; and
- c) Claim liability by value distribution by class and subclass for:
 - (1) \$0.00 to \$50.
 - (2) \$50.01 to \$100;
 - (3) \$100.00 to \$200;
 - (4) \$200.01 to \$300; and
 - (5) continuing in \$100 increments to the maximum value covered.

RESPONSE:

- a) The Postal Service does not track claims data by class or subclass.
- b) See response to (a). Data are available, however, by type as reported in USPS LR-SSR-109 at pp. 2-3 and USPS LR-SSR-109A.
- c) See response to (a). Data are available by value increment. See USPS LR-SSR-109 at 3 and USPS LR-SSR-109A.

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USP/USPS-T8-4. Please provide the number of claims and total value of loss for each of the last five years for claims resulting from:

- a) No record if an insured mailpiece is lost or stolen while the carrier is on the street;
- b) The carrier neglecting to secure a signature for an insured piece;
- c) No record if an insured mailpiece is lost or stolen prior to being taken out for delivery.

RESPONSE:

- a-c) The Postal Service does not collect or maintain this type of information.

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UPS/USPS-T8-5. On pages 28-29 of your testimony, you state that "the Postal Service is exploring the feasibility of an operational change to enhance the security of insured mail. Specifically, the Postal Service is investigating the feasibility of having clerks at delivery offices identify and make a record of insured pieces to be delivered by carriers before they leave for their routes." Please state:

- a) The estimated cost of this operational change;
- b) Whether the entirety of this cost will be attributed to the individual classes and subclasses of mail for which insurance is obtained;
- c) Whether this cost been taken into account in the proposed rates; and
- d) If the answer to subpart (c) of this interrogatory is in the negative, describe fully and in detail how this cost will impact the proposed cost coverage for insured mail.

RESPONSE:

- a-d) My testimony makes clear that the operational change to improve security of insured mail is only a proposal under consideration. No final procedures have been finalized. Consequently, I am unable to determine the effect on costs, if any, until such time as a proposal is adopted. Moreover, the operational change, if adopted, would not be implemented during the TY; rather, if a change in handling procedures for insured mail is approved, the cost effects could be included in the next rate proceeding.

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UPS/USPS-T8-6. Please refer to pages 19-22 in LR-SSR-109, Attachment 1 to the same library reference.

- a) State whether the input data in Attachment 1 results from the insurance survey provided on pages 19-22 of LR-SSR-109;
- b) For each column of data in Attachment 1, indicate to which survey question it corresponds; and
- c) For each column of data in Attachment 1, explain fully and in detail how to interpret the data. For example, on page 26 of LR-SSR-109, the first input column 2 entitled 1992 Total Sales is "3". What does that mean?

RESPONSE:

- a) The input data in Attachment 1 result from the insurance survey provided on pages 19-22 of LR-SSR-109.

<u>Column Name</u>	<u>Corresponding Question Number</u>
Type of Business	1
1992 Total Sales	2
1992 \$ Spent USPS	3 (the Postal Service)
1992 \$ Spent Other	3 (All Other Carriers)
1992 Volume USPS	4 (the Postal Service)
1992 Volume Other	4 (All Other Carriers)
%Parcels	5 (Businesses)
%Parcels House	5 (Households)
USPS Products Used:	
USEEXP	6 (Express Mail)
USEPR1	6 (Priority Mail)
USE1	6 (First Class)
USE3	6 (Third Class)
USEPP	6 (Parcel Post)
USEBPM	6 (Bound Printed Matter)
USESR	6 (Special Fourth Class)
USELR	6 (Library Rate)

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b) (continued)

<u>Column Name</u>	<u>Corresponding Question Number</u>
What % USPS Parcels Have?:	
%PARINS	7 (Insurance)
%PARREG	7 (Registered Mail)
%PARR&I	7 (Registered Mail & Insurance)
%PARCOD	7 (Collect-on-Delivery (COD))
Typical Min. Value Range USPS	8
Typical Max. Value Range USPS	9
Typical Max. Value Other	10
% Parcels w/Other Shippers:	
\$700	11
\$800	11
\$900	11
\$1-1.5K	11
\$1.5-2K	11
Add'l Parcels w/USPS over \$700:	
Yes	12
No	12
If Yes, How Many?	12
If No, Go to End	12

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b) (continued)

<u>Column Name</u>	<u>Corresponding Question Number</u>
USPS Products Used More Frequently if \$100 Insurance in Base Price:	
Priority	13 (Priority Mail)
1 st	13 (First Class)
3 rd	13 (Third Class)
PP	13 (Parcel Post)
BPM	13 (Bound Printed Matter)
SR	13 (Special Fourth Class)
LR	13 (Library Rate)
Additional Annual Volume if \$100 Insurance in Base Price:	
ADDPR1	14 (Priority Mail)
ADD1	14 (First Class)
ADD3	14 (Third Class)
ADDP	14 (Parcel Post)
ADDBPM	14 (Bound Printed Matter)
ADDSR	14 (Special Fourth Class)
ADDLR	14 (Library Rate)
Comments	Comments Section at end
If No Comments	12

c) Question 1 asked for the type of business. If the respondent chose one of the provided types of businesses, that business was recorded. If the respondent chose "other," other was recorded with the type of business

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c) (continued)

in parentheses. Question 2 asked for an estimate of the dollar amount of total sales in 1992. If the respondent checked \$0-\$500,000, the number 1 was entered. If the respondent checked \$500,000-\$1,000,000, the number 2 was entered. If the respondent checked \$1,000,000-\$10,000,000, the number 3 was entered. If the respondent checked \$10,000,000-\$20,000,000, the number 4 was entered. If the respondent checked \$20,000,000-\$30,000,000, the number 5 was entered. If over \$30,000,000 was checked, the number 6 was entered.

Question 3 asked for an estimate of the dollar amount spent in 1992 on postage for parcels with the Postal Service and all other carriers. Under the Postal Service column, if \$0-\$5,000 was checked, the number 1 was entered; if \$5,000-\$10,000 was checked, the number 2 was entered; if \$10,000-\$25,000 was checked, the number 3 was entered; if \$25,000-\$50,000 was checked, the number 4 was entered; if \$50,000-\$75,000 was checked, the number 5 was entered; if \$75,000-\$100,000 was

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c) (continued)

checked, the number 6 was entered; and if over \$100,000 was checked, the number 7 was entered. Under the All Other Carriers column, if \$0-\$5,000 was checked, the number 1 was entered; if \$5,000-\$10,000 was checked, the number 2 was entered; if \$10,000-\$15,000 was checked, the number 3 was entered; if \$25,000-\$50,000 was checked, the number 4 was entered; if \$50,000-\$75,000 was checked, the number 5 was entered; if \$75,000-\$100,000 was checked, the number 6 was entered; and if over \$100,000 was checked, the number 7 was entered.

Question 4 asked for an estimate of 1992 parcel volume mailed with the Postal Service and all other carriers. Under the Postal Service column, if 0-500 was checked, the number 1 was entered; if 500-1,000 was checked, the number 2 was entered; if 1,000-5,000 was checked, the number 3 was entered; if 5,000-10,000 was checked, the number 4 was entered; if 10,000-25,000 was checked, the number 5 was entered; if 25,000-50,000 was checked, the number 6 was entered; if 50,000-75,000 was checked, the number 7 was entered; if 75,000-100,000 was

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c) (continued)

checked, the number 8 was entered; and if over 100,000 was checked, the number 9 was entered. Under the All Other Carriers column, if 0-500 was checked, the number 1 was entered; if 500-1,000 was checked, the number 2 was entered; if 1,000-5,000 was checked, the number 3 was entered; if 5,000-10,000 was checked, the number 4 was entered; if 10,000-25,000 was checked, the number 5 was entered; if 25,000-50,000 was checked, the number 6 was entered; if 50,000-75,000 was checked, the number 7 was entered; if 75,000-100,000 was checked, the number 8 was entered; and if over 100,000 was checked, the number 9 was entered.

Question 5 asked for the percentage of parcels mailed to businesses and households. The percentage of parcels sent to businesses was entered under the % Parcels column and the percentage of parcels sent to households was entered under the % Parcels House column.

Question 6 asked which Postal Service products were used and to check all that applied from a list of certain Postal Service products. If Express

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c) (continued)

Mail was checked, an "X" was entered in the USEEXP column; if Priority Mail was checked, an "X" was entered in the USEPRI column; if First Class was checked, an "X" was entered in the USE1 column; if Third Class was checked, an "X" was entered in the USE3 column; if Parcel Post was checked, an "X" was entered in the USEPP column; if Bound Printed Matter was checked, an "X" was entered in the USEBPM column; If Special Rate was checked, an "X" was entered in the USESR column; and if Library Rate was checked, an "X" was entered in the USELR column.

Question 7 asked for the percentage of parcels mailed with the Postal Service that had certain special services attached. If the respondent provided a percentage for insurance, that percentage was entered under the %PARINS column; if the respondent provided a percentage for registered mail, that percentage was entered under the %PARREG column; if the respondent provided a percentage for registered mail and insurance, that percentage was entered under the %PARR&I column;

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c) (continued)

and if the respondent provided percentage for COD, that percentage was entered under the %PARCOD column.

Question 8 asked for the typical minimum value of insurance purchased with the Postal Service. If the respondent checked \$0.01 to \$50, the number 1 was entered in the MINUSPSINS column; if the respondent checked \$50 to \$100, the number 2 was entered in the MINUSPSINS column; if the respondent checked \$100 to \$200, the number 3 was entered in the MINUSPSINS column; if the respondent checked \$200 to \$300, the number 4 was entered in the MINUSPSINS column; if the respondent checked \$300 to \$400, the number 5 was entered in the MINUSPSINS column; if the respondent checked \$400 to \$500, the number 6 was entered in the MINUSPSINS column; and if the respondent checked \$500 to \$600, the number 7 was entered in the MINUSPSINS column.

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Question 9 asked for the typical maximum value of insurance purchased with the Postal Service. If the respondent checked \$0.01 to \$50, the number 1 was entered in the MAXUSPSINS column; if the respondent the checked \$50 to \$100, the number 2 was entered in the MAXUSPSINS column; if the respondent checked \$100 to \$200, the number 3 was entered in the MAXUSPSINS column; if the respondent checked \$200 to \$300, the number 4 was entered in the MAXUSPSINS column; if the respondent checked \$300 to \$400, the number 5 was entered in the MAXUSPSINS column; if the respondent checked \$400 to \$500, the number 6 was entered in the MAXUSPSINS column; and if the respondent checked \$500 to \$600, the number 7 was entered in the MAXUSPSINS column.

Question 10 asked for the typical maximum value of insurance purchased with carriers other than the Postal Service. The number written down was what was entered in the MAXOTHINS column.

Question 11 asked what percentage of parcels insured by other shippers had a value of \$700, \$800, \$900, \$1000 - \$1,500, or \$1,500 - \$2,000. If

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c) (continued)

the respondent provided a percentage for \$700, that percentage was entered in the \$700 column; if the respondent provided a percentage for \$800, that percentage was entered in the \$800 column; if the respondent provided a percentage for \$900, that percentage was entered in the \$900 column; if the respondent provided a percentage for \$1,000 to \$1,500, that percentage was entered in the \$1 - \$1.5K column; and if the respondent provided a percentage for \$1,500 to \$2,000, that percentage was entered in the \$1.5 - 2K column.

Question 12 asked if additional parcels would be mailed with the Postal Service if insurance was offered for articles valued at \$700 and over. If the respondent checked yes, an "X" was entered in the Add'l Parcels w/USPS over \$700 "Yes" column. If the respondent checked no, an "X" was entered in the Ad'l Parcels w/USPS over \$700 "No" column.

Question 12 further asked the respondent, if their answer to the first part was in the affirmative, how many parcels. The number of parcels was entered in the "If Yes, How Many" column. If the respondent's answer to the first part of Question 12 was in the negative, the respondent was

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c) (continued)

asked why not. An "X" was entered in the "If No, Go To End" column and any comments were entered in the "If No, Comments" column.

Question 13 asked which Postal Service products would be used more frequently if they were priced to include \$100 insurance from a list of given products. If the respondent checked Priority Mail, an "X" was entered in the "Priority" column; if the respondent checked First Class, an "X" was entered in the 1st column; if the respondent checked Third Class, an "X" was entered in the 3rd column; if the respondent checked Parcel Post, an "X" was entered in the PP column; if the respondent checked Bound Printed Matter, an "X" was entered in the BPM column; if the respondent checked Special Rate, an "X" was entered in the SR column; and if the respondent checked Library Rate, an "X" was entered in the LR column.

Question 14 asked for an estimate of the additional volume if the products in Question 13 were priced to include insurance. If the respondent provided a number for Priority Mail, that number was

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c) (continued)

recorded in the ADDPRI column; if the respondent provided a number for First Class, that number was recorded in the ADD1 column; if the respondent provided a number for Third Class, that number was recorded in the ADD3 column; if the respondent provided a number for Parcel Post, that number was recorded in the ADDPP column; if the respondent provided a number for Bound Printed Matter, that number was recorded in the ADDBPM column; if the respondent provided a number for Special Rate, that number was recorded in the ADDSR column; and if the respondent provided a number for Library Rate, that number was recorded in the ADDLR column.

The last section of the questionnaire asked for comments. If the respondent provided comments, these comments were entered in the Comments column.

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UPS/USPS-T8-7. Please refer to page 34 of your testimony, on which you indicate that 48% of the survey participants responded "yes" when asked if they would mail additional parcels with the Postal Service if the indemnity level was raised above \$600.

- a) Provide the insurance rates given to these respondents; and
- b) State exactly how many more parcels these respondents estimated they would mail with the Postal Service.

RESPONSE:

- a) No fees were provided to those customers surveyed.
- b) Please see USPS LR-SSR-109, page 95.

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UPS/USPS-T8-8. Please refer to page 54 of LR-SSR-109, on which there is a column entitled "(Annual) If Yes, How Many?"

- a) State whether this corresponds to the second part of Question No. 12 from the insurance survey;
- b) If your answer to subpart (a) of this interrogatory is yes, state the percentage of total additional packages that would be mailed with the Postal Service that is represented by line 24 (a Mail Order/Telemarketing business that estimates it would mail an additional 1,000,000 packages); and
- c) If the respondent referred to in subpart (b) of this interrogatory were to change its mind or go out of business, explain: (1) the impact that would have on the financial viability or desirability of the Postal Service's proposal to increase the indemnity level; (2) the resultant change in costs for the Postal Service; and (3) the resultant change in revenues for the Postal Service.

RESPONSE:

- a) Yes. Please see my response to UPS/USPS-T8-6(c).
- b) See UPS/USPS-T8-6(c). The percentage of total additional packages represented by the business on line 24 is 98.8 percent.
- c) The desirability or financial viability of the proposal to increase the insurance indemnity limit would not be diminished if the respondent referred to in subpart (b) of this interrogatory was not able to produce the estimated additional volume. The market research was intended to

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c) (continued)

determine interest from a portion of our known parcel customers, and the results of the research confirmed sufficient customer demand to support a moderate indemnity limit increase.

DECLARATION

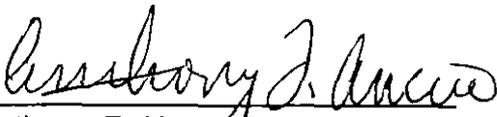
I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: August 21, 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.


Anthony F. Alverno

475 L'Enfant Plaza West, S.W.
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August 21, 1996