

ORIGINAL

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

DOUGLAS F. CARLSON  
RESPONSE TO INTERROGATORY  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/DFC-1)

November 11, 1996

I, Douglas F. Carlson, hereby provide my response to the interrogatory of the Office of the Consumer Advocate (OCA/DFC-1). The interrogatory was filed on October 30, 1996.

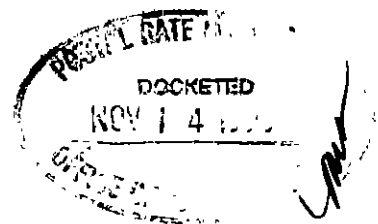
The interrogatory is stated verbatim and is followed by my response.

Respectfully submitted,

Dated: November 11, 1996



DOUGLAS F. CARLSON



**DOUGLAS F. CARLSON  
RESPONSE TO INTERROGATORY  
OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/DFC-1.** Refer to your testimony at page 12, lines 8-12, where you assert that the Postal Service's non-resident fee proposal "seems to be based on an assumption that most people obtain nonresident boxes for prestige, business, or convenience reasons. . . ." Do you have any concrete evidence concerning the underlying rationale for the Postal Service's proposal for a non-resident box fee? If so, please provide such evidence.

**RESPONSE:**

Attachment 1 to Response to OCA/DFC-1 is an article from the Washington Post dated June 8, 1996. In the paragraphs that I have identified with an arrow, Bill McAllister explains that the nonresident fee is motivated by a desire to "make more money" off the demand for boxes in communities that have prestige addresses. Id. Another Washington Post article, dated October 9, 1996, repeats this explanation. See Attachment 2 to Response to OCA/DFC-1.

These newspaper articles cast doubt on whether the nonresident fee was devised to recover the additional costs that nonresident boxholders supposedly impose on the Postal Service. Instead, according to these articles, the fee is merely an attempt to extract more revenue from customers whom the Postal Service believes would be willing to pay higher fees.

# Higher Prices Sought For Postal Cards, Prestige Addresses

By Bill McAllister  
Washington Post Staff Writer

For the third time in two years, the Postal Service yesterday proposed increasing the price of its printed postal card. This time it wants to charge 22 cents.

It also recommended that individuals who don't live in a community and rent a post office box there pay a premium fee of \$36 a year for the privilege. The idea is to make more money off the demand for postal boxes in communities that have prestige addresses, such as Vail, Colo.; Middleburg, Va.; and Valley Forge, Pa.

The Postal Service also urged the Postal Rate Commission to approve increases for insuring parcels and certified and registered mail, as well as ending special delivery service. It said that demand for special delivery of letters has "all but ceased," replaced by its overnight Express Mail service and competing overnight commercial package services, such as Federal Express.

The independent rate commission must endorse the changes, which would raise \$339.9 million a year in new revenue, before the Postal Service can implement them. The commission has twice rejected proposals to boost the price of the agency's postal cards above 20 cents, a rate that has made it a bargain compared to the 32-cent price of a first-class letter.

This time the Postal Service redefined "postal cards" as "stamped cards" and told the commission it would keep the postage required on the cards at 20 cents. But it wants to charge customers a 2-cent surcharge on each card to cover the price of printing and paper.

The first-class postage for regular, non-agency post cards would remain 20 cents.

The recommendation to boost post office box prices follows Postmaster General Marvin T. Runyon's reaction to a Washington Post article describing the booming demand for post office boxes in the Virginia hunt country town of Middleburg. Because of the town's tony image, its small post office has been hard pressed to keep up with the demand for mail boxes. When Runyon read that account, he urged the agency to consider pricing the mail boxes based on customer demand.

Under the new schedule, it will do just that, making the most expensive mail boxes in Manhattan, where the minimum \$48-a-year box will increase to \$60 for Manhattan residents and \$96 for nonresidents. Washington would be classified as a high-cost city, and the price of mail boxes in the District would increase from the current \$44 minimum to \$56 for residents and \$92 for nonresidents.

Mail boxes in many small communities that have residential mail delivery would increase sharply, but residents in communities with no residential mail service would find their current \$2-a-year box rental fee eliminated. Even so, postal officials said their box rentals would remain well below the cost of private mail boxes provided by commercial firms, such as Mail Boxes Etc.

"The post office box fees are antiquated—especially in places where they are much lower than the cost of the spaces the boxes occupy," said Postal Service Vice President John H. Ward.

The amount of insurance available for letters and parcels would increase to \$5,000 from the current \$600 limit. The fees would range from 75 cents for \$50 coverage to \$45.70 for the \$5,000 maximum. Registered mail could be insured up to \$15 million under another fee schedule submitted to the rate commission.

# P.O. Box May Become Pricier Address

## Runyon Wants to Raise Rent; Small-Town Post Offices Raise Roof

By Bill McAllister  
Washington Post Staff Writer

The small-town post office—an American icon for generations—has come under attack from an unlikely source: the U.S. Postal Service.

Postmasters across the country are complaining that one of Postmaster General Marvin T. Runyon's latest money-raising schemes will kill many of the nation's small post offices.

Runyon wants to double the cost of renting a post office box in small towns—and add a \$36 annual fee for nonresidents who want in-town boxes. Rural postmasters say the sharply higher fees—which will typically jump from \$8 to \$16 a year—will drive their loyal customers away—perhaps forever.

"I will probably lose half my customers," fretted Charlotte Ray, postmaster of the tiny Laird Hill, Tex., post office, which has 362 rental boxes.

Runyon plans include raising fees for boxes everywhere, although it is only the rural post offices that will see rates double. In Manhattan, the minimum \$48 box would jump to \$60 for residents; \$96 a year for nonresidents. In the District, the minimum \$44 would jump to \$56 for residents; \$92 for nonresidents.

Runyon's idea for higher rents was inspired by a newspaper account of the overwhelming demand for postal boxes in the Virginia hunt country's tony hamlet of Middleburg. Runyon saw this as evidence that the Postal Service was underpricing its boxes and decided to test the idea nationally. His plan was submitted in June to the independent Postal Rate Commission, which could rule on the case early next year.

It is only one of a number of money-raising schemes the independent federal agency has devised in recent months in an effort to raise revenues from sources other than postage in order to keep Runyon's promise not to increase the price of a 32-cent letter. Runyon has said the agency does not want to raise the price of a first-class stamp until the year 2000 and that edict has postal executives scrambling for new sources of revenue.

As a result, the agency has begun an ambitious and controversial plan to rent space to privately owned cellular telephone towers at its 40,000 post offices. The agency contends that the proposal could raise "bil-

lions" of dollars but it is being sued over it in one locale by residents who charge the agency has skirted zoning laws. The service is testing plans to electronically read utility meters by placing recording devices in its delivery trucks, selling long-distance telephone cards at its counters, testing electronic money orders to Mexico and developing plans to help American Express process its incoming checks more efficiently. The Postal Service also has begun to open retail stores selling T-shirts, clocks and ties all emblazoned with the Postal Service logo or replicas of stamps.

But none of Runyon's money-raising plans has created the national groundswell of opposition that his plan for higher rates on postal boxes has encountered. And it is in the small crossroads communities where the line has been drawn.

"This is a battle for small-town America, rural America . . . against the giant U.S. Postal Service," said Hugh Bates, president of the National Association of Postmasters of the United States (NAPUS). Earlier this year, Bates, the postmaster of Clanton, Ala., (pop. 7,669) stunned postal officials by announcing that his management association would oppose the agency's request for higher box rents.

Then, in an unprecedented step for a management group, NAPUS intervened in the rate case, complaining that Runyon's box rent proposal was "excessive . . . grossly unfair" and predicting many small-town postal customers "might well see it as a form of price-gouging." The action stunned Runyon, whom Bates said grumbled at him: "I hope you know where we're going to get \$154 million if we lose."

For individuals, the dollars involved are relatively small. But Bates and his fellow postmasters point out the 100 percent increase would be faced by many poor and elderly persons living on fixed incomes. Bates sees the annual \$36 "nonresident" fee that many boxholders would pay only as more aggravation.

Coming at a time when the agency is bragging about two years of \$1 billion profits, the small-town postmasters fear that their customers will simply abandon in-town rental boxes and erect a mail box on a rural route demanding more costly daily delivery service. "It's a lot easier to deliver to a P.O. box than an icy

porch," said Stan Moore, postmaster of Kingman, Kan.

Postal spokesman Bob Hoobing said rental boxes in rural areas have been priced well below our costs for a long time and, even if this request is approved, they'll still be below our costs. Besides, the privately run mailbox firms, such as Mailboxes Etc., are charging much more than the Postal Service for their boxes, the officials said.

Small-town post offices have long had a special place in the postal bureaucracy. A landmark 1980 study for the rate commission found small-town post offices to be key social institutions in rural America. As a result, some say, the commission has protected them from actions that might already have forced them to close.

Runyon's plan for increased box rents has produced an uproar in the hinterland unlike anything since Elvis Presley was recommended for a stamp. "Have they taken leave of their senses?" asked Postmaster Linda A. Hall of Means, Ky. "They can candy-coat it all they want but it just amounts to one thing—closing the small offices! . . . I can at least understand the reasoning behind the stamp increases—we have to break even—but this increase is ludicrous," she said.

Postal officials have had to issue formal memos to deny such rumors, calling fears of closings "totally unfounded."

At the rate commission, Runyon's idea for the post box increase has been received with skepticism. Transcripts from the hearing show that postal witnesses could not provide specifics on who would have to pay the \$36 nonresident fee or how it was devised.

James F. Callow, a representative of the rate commission's consumer advocate office, urged the panel to reject the filing. He argued that, except in 11 isolated cases including Middleburg, Beverly Hills (Zip code 90210) and Canadian and Mexican border towns, that there was no national shortage of rental boxes, proving there is no cause for higher rates. Callow's solution: cut box rents or leave them unchanged.

Many small-town postmasters question why the issue has come up. As Athena Thompson, postmaster of Heart Butte, Mont., a small community in the middle of the Blackfeet Indian Reservation, put it: "Why fix something that doesn't need fixing?"

**DECLARATION**

I, Douglas F. Carlson, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Dated: November 11, 1996



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DOUGLAS F. CARLSON

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon the required participants of record in accordance with section 12 of the Rules of Practice and sections 3(B)(3) and 3(C) of the Special Rules of Practice.



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DOUGLAS F. CARLSON

November 11, 1996  
Emeryville, California