

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, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS MAYO TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-4(B-C)-8, 11-16)

The United States Postal Service hereby provides the responses of witness Mayo to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T39-4(b-c)-8, and 11-16, filed on March 16, 2000. The Postal Service filed partial objections to interrogatories OCA/USPS-T39-10 and 12 on March 29, 2000. Interrogatories OCA/USPS-T39-3 and 4(a) have been redirected to witness Davis. Interrogatory OCA/USPS-T39-9 has been redirected to witness Campbell. Interrogatory OCA/USPS-T39-10 has been redirected to the Postal Service.

Each interrogatory is stated verbatim and is followed by the response.<sup>1</sup>

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
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March 30, 2000

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-4.** Please refer to your testimony at page 60.

- a. Please explain the reason for the large increase in costs for insurance which caused you to propose a 59% increase in the rate for Unnumbered Insurance up to \$50.
- b. As a rate/fee design witness, did this large increase disturb/alarm you? Please explain.
- c. Did this large increase cause you to investigate further? Why or why not?

**RESPONSE:**

- a. Redirected to witness Davis.
- b. I was actually not shocked by the cost increase. I suspected that the costs were too low in the last rate case. Although it is not desirable to propose a fee increase of this magnitude, it was necessary to cover the costs for this service that had been under-reported in the past.
- c. I discussed the cost increase with witness Davis, was not surprised by the cost increase, and did not feel any further investigation was necessary.

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(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-5.** In prior dockets, a workpaper detailing indemnity costs was filed and used to aid in the setting of fees for insurance.

- a. Did you use such a document? If not, why not?
- b. Please provide an indemnity analysis.

**RESPONSE:**

- a. Yes.
- b. Please see the attached indemnity analysis.

**FY 1998 Insurance Indemnity Costs**

Value Up To	Transactions <sup>1</sup>	Claims <sup>2</sup>				Average Indemnity Per Transaction		
	Number	Volume		Dollar Amount		Lost	Damaged	Total
		Lost	Damaged	Lost	Damaged			
50	17,347,194	16,367	13,968	\$ 650,376	\$ 481,198	\$ 0.04	\$ 0.03	\$ 0.07
100	12,121,220	8,621	27,132	\$ 609,305	\$ 1,555,585	\$ 0.05	\$ 0.13	\$ 0.18
200	5,866,949	9,826	13,089	\$ 1,275,544	\$ 1,802,040	\$ 0.22	\$ 0.31	\$ 0.52
300	1,974,465	4,325	5,230	\$ 996,373	\$ 1,257,726	\$ 0.50	\$ 0.64	\$ 1.14
400	860,783	2,202	2,594	\$ 724,853	\$ 880,782	\$ 0.84	\$ 1.02	\$ 1.87
500	820,759	1,237	1,556	\$ 538,379	\$ 696,303	\$ 0.66	\$ 0.85	\$ 1.50
600 3/	341,304	1,039	1,053	\$ 546,875	\$ 565,204	\$ 1.60	\$ 1.66	\$ 3.26
700 3/	121,989	7,806	576	\$ 487,422	\$ 363,836	\$ 4.00	\$ 2.98	\$ 6.98
800 3/	110,886	204	264	\$ 150,864	\$ 197,101	\$ 1.36	\$ 1.78	\$ 3.14
900 3/	37,539	142	172	\$ 118,221	\$ 143,948	\$ 3.15	\$ 3.83	\$ 6.98
1000 3/	145,117	108	185	\$ 102,799	\$ 177,957	\$ 0.71	\$ 1.23	\$ 1.93
1100	9,824	223	248	\$ 227,029	\$ 254,635	\$ 23.11	\$ 25.92	\$ 49.03
1200	24,704	44	55	\$ 50,327	\$ 62,927	\$ 2.04	\$ 2.55	\$ 4.58
1300	10,070	48	56	\$ 58,984	\$ 69,392	\$ 5.86	\$ 6.89	\$ 12.75
1400 3/	17,457	42	44	\$ 55,930	\$ 59,521	\$ 3.20	\$ 3.41	\$ 6.61
1500	28,863	33	43	\$ 47,704	\$ 62,596	\$ 1.66	\$ 2.18	\$ 3.85
1600	2,619	74	85	\$ 112,893	\$ 130,295	\$ 43.11	\$ 49.76	\$ 92.87
1700	2,582	28	23	\$ 45,661	\$ 37,988	\$ 17.68	\$ 14.71	\$ 32.40
1800	3,431	17	21	\$ 29,433	\$ 36,714	\$ 8.58	\$ 10.70	\$ 19.28
1900	1,998	20	19	\$ 36,859	\$ 34,554	\$ 18.45	\$ 17.30	\$ 35.74
2000	27,301	23	21	\$ 45,168	\$ 41,456	\$ 1.65	\$ 1.52	\$ 3.17
2100	796	47	41	\$ 94,572	\$ 82,988	\$ 118.82	\$ 104.27	\$ 223.08
2200	1,521	11	8	\$ 23,729	\$ 17,197	\$ 15.60	\$ 11.31	\$ 26.91
2300	2,700	16	8	\$ 35,775	\$ 17,975	\$ 13.25	\$ 6.66	\$ 19.91
2400	431	10	6	\$ 23,509	\$ 14,103	\$ 54.59	\$ 32.75	\$ 87.33
2500	9,463	8	6	\$ 19,616	\$ 14,665	\$ 2.07	\$ 1.55	\$ 3.62
2600	0	22	6	\$ 55,504	\$ 15,108	N/A	N/A	N/A
2700	425	7	8	\$ 18,436	\$ 21,086	\$ 43.41	\$ 49.65	\$ 93.05
2800	2,839	9	4	\$ 24,647	\$ 11,048	\$ 8.68	\$ 3.89	\$ 12.57
2900	0	7	4	\$ 19,862	\$ 11,405	N/A	N/A	N/A
3000	5,387	5	3	\$ 14,835	\$ 8,816	\$ 2.75	\$ 1.64	\$ 4.39
3100	293	14	12	\$ 42,140	\$ 36,179	\$ 144.03	\$ 123.66	\$ 267.69
3200	473	1	2	\$ 3,136	\$ 6,245	\$ 6.64	\$ 13.22	\$ 19.85
3300	0	5	0	\$ 16,118	\$ -	N/A	N/A	N/A
3400	0	4	1	\$ 13,320	\$ 3,314	N/A	N/A	N/A
3500	975	4	2	\$ 13,762	\$ 6,918	\$ 14.11	\$ 7.09	\$ 21.20
3600	0	4	4	\$ 14,045	\$ 14,080	N/A	N/A	N/A

Value Up To	Transactions <sup>1</sup>	Claims <sup>2</sup>				Average Indemnity Per Transaction		
	Number	Volume		Dollar Amount		Lost	Damaged	Total
		Lost	Damaged	Lost	Damaged			
3700	0	1	1	\$ 3,682	\$ 3,660	N/A	N/A	N/A
3800	26	0	1	\$ -	\$ 3,761	0.00	\$ 144.88	\$ 144.88
3900	0	5	1	\$ 19,118	\$ 3,807	N/A	N/A	N/A
4000	2,275	2	2	\$ 7,888	\$ 7,923	\$ 3.47	\$ 3.48	\$ 6.95
4100	543	9	2	\$ 36,096	\$ 8,016	\$ 66.52	\$ 14.77	\$ 81.29
4200	328	1	0	\$ 4,162	\$ -	\$ 12.70	0.00	\$ 12.70
4300	339	0	0	\$ -	\$ -	0.00	0.00	0.00
4400	0	1	0	\$ 4,386	\$ -	N/A	N/A	N/A
4500	545	1	1	\$ 4,470	\$ 4,403	\$ 8.21	\$ 8.09	\$ 16.29
4600	0	2	0	\$ 9,029	\$ -	N/A	N/A	N/A
4700	380	0	0	\$ -	\$ -	0.00	0.00	0.00
4800	0	1	0	\$ 4,753	\$ -	N/A	N/A	N/A
4900	262	1	0	\$ 4,823	\$ -	\$ 18.42	0.00	\$ 18.42
5000	4,384	16	6	\$ 80,388	\$ 29,905	\$ 18.34	\$ 6.82	\$ 25.16
Total	39,911,233	52,643	66,563	\$ 7,522,800	\$ 9,254,360	\$ 0.19	\$ 0.23	\$ 0.42

**Notes:**

- 1 Source for transactions data is FY1998 Billing Determinants.
- 2 Source for Claims data: St. Louis Accounting Service Center. Dollar amounts truncated to one dollar.
- 3 Includes Express Mail claims in excess of \$500.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
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(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-6.** Please explain in detail what caused you to propose an increase in the incremental fee of 95 cents.

**RESPONSE:**

Please see my testimony at pages 63-64 that discusses both the fee design and pricing criteria for insurance. Additionally, the increase in the fee for the incremental value level worked in conjunction with the increase in the base price to provide a reasonable cost coverage for this service.

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(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-7. Please refer to your testimony at page 40.**

- a. Was your statement that "This reflects the change to electronic signature capture for accountable mail services . . . ." meant to explain your proposed 50% increase for certified mail?
- b. If so, do you think that customers will consider the electronic signature an "enhancement" of certified mail service? Please explain.
- c. Do you think that it is possible/probable that customers would prefer a service that was 50% less expensive to a service with an electronic signature? Please explain.

**RESPONSE:**

- a. No. This sentence explains the proposed classification change to the DMCS references for retaining delivery records, and not the proposed fee change for certified mail.
- b-c. Not applicable. See my response to part (a).

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**OCA/USPS-T39-8.** Please refer to your testimony at page 40. There you state "the Postal Service will be scanning signatures for a certified database, rather than storing hard copy signatures at each office of delivery." The implication seems to be that the Postal Service is instituting electronic signature scanning for its convenience not the customers. Your testimony at page 43 states: "There is no question that a fee increase of this magnitude will have an adverse impact on users (Criterion 4)." Please explain why customers should suffer "an adverse impact" from the proposed 50% fee increase for the convenience of the Postal Service.

**RESPONSE:**

Please see my response to 7(a). The electronic signature capture process, along with the proposed classification change with respect to the retention of delivery records, have very little to do with my proposed fee for certified mail.



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(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-11.** Please explain why the Postal Service believes that it needs to spend this amount to advertise money orders when it is generally widely known that the Postal Service provides this service.

**RESPONSE:**

I don't believe that it is generally widely known that the Postal Service sells money orders. With the increasing popularity of purchasing goods over the Internet, there is a new customer base for money orders, and this customer base may not be aware of the Postal Service's offering. Please see my testimony at page 78.

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**OCA/USPS-T39-12. Did the Postal Service conduct any research or survey of competitors in the money order business or of alternatives to the use of postal money orders? If so, provide all documents relating to such research or studies; if not, explain why not.**

**RESPONSE:**

Partial objection filed. My understanding is the Postal Service has conducted such research.

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**OCA/USPS-T39-13.** Please explain why the Postal Service is proposing an increase in the fee for money orders when many of its competitors provide a similar service for as little as 28 cents.

**RESPONSE:**

The Postal Service is proposing increases to the fees for money orders for the reasons described in my testimony at pages 77-79. Competitors offer money orders for various fees, and it is my understanding that these fees are based on the dollar value of the money order. I am not aware of any competitors that offer money orders valued up to \$700 for 28 cents.

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**OCA/USPS-T39-14.** Is the non-fee revenue provided by money order float, non-redeemed money orders and commission on international money orders revenue to the Postal Service in the same sense that fee revenue is revenue to the Postal Service? Please explain in detail.

**RESPONSE:**

Non-fee money order revenue is not revenue to the Postal Service in the same sense as fee revenue. See my response to OCA/USPS-T39-15.

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**OCA/USPS-T39-15.** At page 78 of your testimony you state that: "It is important to remember that the money order revenue used to calculate the cost coverage also includes non-fee revenue." Please explain why this is important.

**RESPONSE:**

Please see page 73, lines 7 to 9, and footnote 37, of my testimony. Using non-fee revenue in the calculation of the cost coverage does not provide for a pure cost coverage in that more than just the revenue from the fees were used in the calculation. In that sense, for purposes of fee design it is important to examine the cost coverage without the non-fee revenue, since the fee revenue is directly tied to the volume of money orders and the non-fee revenue can vary significantly from year to year depending upon financial market behaviors.

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**OCA/USPS-T39-16.** Please explain whether it is postal employees or military/civilian personnel who sell and redeem money orders at APO and FPO facilities.

**RESPONSE:**

I have been informed that military personnel sell and redeem money orders at APO and FPO facilities.

**DECLARATION**

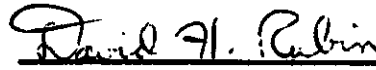
I, Susan W. Mayo, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Mayo

Dated: March 30, 2000

**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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David H. Rubin

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March 30, 2000