

UNITED STATES OF AMERICA
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

OFFICE OF THE CONSUMER ADVOCATE
FOLLOW-UP INTERROGATORIES TO
UNITED STATES POSTAL SERVICE
WITNESS MAYO (OCA/USPS-T39-17-24)
April 6, 2000

Pursuant to sections 26 and 27 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits follow-up interrogatories and request for production of documents. Instructions included with OCA interrogatories OCA/USPS-1-14 to the United States Postal Service, dated January 24, 2000, are hereby incorporated by reference.

Respectfully submitted,


TED P. GERARDEN
Director
Office of the Consumer Advocate

SHELLEY S. DREIFUSS
Attorney

1333 H Street, N.W.
Washington, D.C. 20268-0001
(202) 789-6830; Fax (202) 789-6819

OCA/USPS-T-39-17. Please refer to your answer to OCA/USPS-T-39-5. Please explain in detail how you used the indemnity analysis in setting the fees for insurance.

OCA/USPS-T-39-18. Please refer to your answer to OCA/USPS-T-39-6 where you were asked to justify an incremental fee of 95 cents per additional \$100 of insurance.

As a result of Docket No. MC96-3, Special Services, the indemnity limit for insurance was increased from \$600 to \$5,000. This was amply supported by market surveys and participants' testimony. However, the incremental fee was not.

The \$.90 incremental fee for each \$100 value level was chosen because it merely extends the current incremental insured mail fee of \$.90 per \$100 in value recommended by the Commission in Docket No. R94-1. No indemnity analyses were performed to arrive at this fee. No other fees were considered. . . .

Tr. 4/1107, witness Needham's response to interrogatory OCA/USPS-T8-30.

The principal interest of the participants (including the OCA) was that the Postal Service be required to collect data to support future adjustments in the incremental fee. PRC Op. MC96-3 at 119. The Commission agreed that the lack of support for the incremental fee was a concern but that the \$.90 fee would be appropriate for purposes of the MC96-3 decision. The Commission recommended that the Postal Service attempt to accurately determine all cost changes that were related to the change in indemnity limits. PRC Op. MC96-3 at 122.

- a. Has the Postal Service studied the costs as they relate to the incremental fee as instructed by the Commission? If so, provide the studies and describe how the studies were utilized in this case. If not, explain in detail why not.
- b. If not, please explain exactly what the cost basis is for the incremental fee.

- c. You state that "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." Please reconcile the resulting high cost coverage of this element of the insurance fee with your response to OCA/USPS-T-39-4b. referring to the magnitude of fee increase needed to have the unnumbered fee cover costs.

OCA/USPS-T-39-19. Does the indemnity analysis provided in response to OCA/USPS-T-39-5 contain the type and kind of information that was needed in Docket No. MC96-3 but was lacking? Please explain in detail.

OCA/USPS-T-39-20. Please refer to OCA/USPS-T-39-11.

- a. Please explain why you do not believe that it is generally widely known that the Postal Service sells money orders.
- b. Until the recent past (within the last 10 years) has the Postal Service been the sole or main provider of money order service? Please explain.
- c. Does the Postal Service anticipate advertising money orders on the Internet?
- d. Would it be feasible for the Postal Service to offer money orders on the Internet? Please explain.

OCA/USPS-T-39-21. Please refer to OCA/USPS-T-39-13. There you state: "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." Please explain in detail on what you base your "understanding".

OCA/USPS-T-39-22. Please refer to OCA/USPS-T-39-13. There you state: "I am not aware of any competitors that offer money orders valued up to \$700 for 28 cents."

- a. Are you aware of competitors who offer money orders for a single fee up to \$500?
- b. Are you aware of competitors who offer money orders for a single fee of 28 cents up to \$500?
- c. If your answer to b. is no, assume, hypothetically, that there are competitors who offer money orders for a single fee of 28 cents up to \$500. Please confirm that one could purchase two money orders with a value of \$700 for 56 cents, 34 cents less than the fee you propose.
- d. If your answer to b. is no, assume, hypothetically, that there are competitors who offer money orders for a single fee of 28 cents up to \$500. Please confirm that one could purchase three money orders with a value of \$1500 for 84 cents.
- e. Please confirm that under your proposal, three money orders with a total value of \$1500 would cost \$2.70.

OCA/USPS-T-39-23. Please refer to OCA/USPS-T-39-13. There you state that "The Postal Service is proposing increases to the fees for money orders for the reasons described in my testimony at pages 77-79." On those pages you describe the pricing criteria of the Act. The discussion referred to is not responsive to the question asked in this interrogatory.

Please explain why the Postal Service proposes to increase the fee for money orders in the face of competition that charges less than your proposed fee. Include your proposed ninth criterion (found at page 78 of your testimony) in this discussion and explain how the Postal Service expects to capture a portion of this potentially large, new Internet market.

OCA/USPS-T-39-24. Please refer to OCA/USPS-T-39-13. There you state: "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."

- a. Please provide a breakdown of the volume of money orders by dollar amounts of face value in increments of \$50 (i.e., \$0 – 50, \$51 –100, \$101 – 150, etc.) or other similar increments for which data is available. Identify the period from which the data is taken.
- b. Please provide the average face value of money orders.

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.


Stephanie S. Wallace

Washington, D.C. 20268-0001
April 6, 2000