

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 DAVIS
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS MAYO
(OCA/USPS-T39-18(A))

The United States Postal Service hereby provides the response of witness Davis to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-T39-18(a), filed on April 6, 2000, and redirected from witness Mayo.


The 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



David H. Rubin

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April 20, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS
TO INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected From Witness Mayo, USPS-T-39)**

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.

RESPONSE:

- a. While I am not aware of cost studies regarding the processing of claims, the Postal Service has collected data on insurance indemnity costs by value increment. The analysis from FY 1998 was provided by witness Mayo in response to OCA/USPS-T39-5. I understand that witness Mayo used this analysis to aid in the setting of insurance fees.

DECLARATION

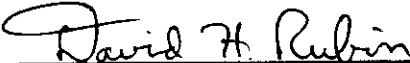
I, Scott J. Davis, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Scott J. Davis

Dated: April 20, 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.



David H. Rubin

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