

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
OCT 12 1 05 PM '01
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 2001)

Docket No. R2001-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS: SUSAN W. MAYO (OCA/USPS-T36-37-43)
October 12, 2001

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-1-21 dated September 28, 2001, are hereby incorporated by reference.

Respectfully submitted,



SHELLEY S. DREIFUSS
Acting Director
Office of the Consumer Advocate

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

OCA/USPS-T36-37. The following question refers to page 44 of your testimony. You indicate that “[t]he proposed fee of \$1.30 for unnumbered insurance was developed by increasing the per-piece cost of 94 cents by 40 percent and rounding to the nearest nickel. The fee for numbered insurance up to \$100 was developed by marking up the \$1.80 per piece cost by 22 percent and applying a five-cent rounding constraint.”

- (a) Please explain how you determined that a 40-percent markup for unnumbered insurance was appropriate. Please explain how you determined that a 22-percent markup for numbered insurance was appropriate.
- (b) Please explain why the markups for numbered and unnumbered insurance differ. Include in your response an explanation of why the unnumbered markup is 18-percentage points higher than the markup for numbered insurance.

OCA/USPS-T36-38. Your testimony at page 44 states: “Insurance provides a very high value of service to customers, as these customers can receive reimbursement for lost, stolen, or damaged articles.”

- (a) Please confirm that the average indemnity for unnumbered insurance is \$0.10. If you are unable to confirm, please explain.
- (b) Please confirm that the \$0.94 test year cost of unnumbered insurance includes the \$0.10 (rounded) average unnumbered indemnity cost.
- (c) Given your pricing proposal, confirm that the average contribution for unnumbered insurance is \$0.36 (\$1.30-\$0.94). If you are unable to confirm, please explain and provide the correct average contribution for unnumbered insurance.

- (d) Please confirm that the pay-out ratio for the average unnumbered insurance claim is approximately 27 percent ($\$0.10/(\$0.36+\$0.10)$). If you are unable to confirm, please explain and show the correct ratio.
- (e) Please confirm that the average indemnity for numbered insurance valued at \$50.01 to \$100.00 is \$0.19. If you are unable to confirm, please explain.
- (f) Given your pricing proposal, confirm that the average contribution for numbered insurance from \$50.01 to \$100.00 is \$0.40 ($\$2.20-\1.80). If you are unable to confirm, please explain and provide the correct average contribution for numbered insurance valued at \$50.01 to \$100.00.
- (g) Please confirm that the pay-out ratio for the average numbered insurance valued at \$50.01 to \$100.00 is approximately 32 percent ($\$0.19/(\$0.40+\$0.19)$). If you are unable to confirm, please explain and show the correct ratio.
- (h) Given your pricing proposal, confirm that the average contribution for regular numbered insurance from \$100.01 to \$5000.00 is ($\$0.40 + \1.00 for each \$100 or fraction thereof over \$100). If you are unable to confirm, please explain and provide your estimate of the average contribution for regular numbered insurance from \$100.01 to \$5000.00 by \$100 increments.
- (i) Please provide the pay-out ratio (as defined above) for each \$100.00 increment or fraction thereof over \$100 for values \$100.01 to \$5000.00.
- (j) Given the low pay-out ratios (less than 1/3), as shown in parts (d) and (g) of this interrogatory, please explain why the fees you propose are not excessive.
- (k) Have you or the Postal Service performed or reviewed any analysis, study or report regarding insurance pay-out ratios? If so, please provide a copy of the

analysis, study or report. If not, please explain why no analysis, study or report has been made.

OCA/USPS-T36-39. Please explain the process a consumer would use to file a claim. (Explain in plain English in the same manner used by window clerks when assisting a customer in a USPS Post Office.) Please describe in detail how clerks are trained to provide this explanation to consumers.

OCA/USPS-T36-40. If a USPS insured package is mailed in the United States to an overseas address and is subsequently lost in transit, please explain the following:

- (a) Who is liable for reimbursing the USPS postal patron?
- (b) What is the extent of the reimbursement liability?
- (c) Please provide the FY 2000 upper limit on the insurance liability for mailing from a USPS facility in the U.S. to each overseas country to which the Postal Service provided service.
- (d) At the time of mailing and prior to purchasing insurance, does the Postal Service window clerk inform a postal patron about the reimbursement liability limitations? If so, please provide a copy of the "script" used to inform the postal patron. If not, please explain why no explanation or "warning" about purchasing excessive insurance is provided to the patron.
- (e) For FY 2000 and FY 2001, please provide the volume and revenue generated by insurance transactions sold to USPS patrons for mail sent overseas. Include in your response, the volume and revenue delineated by unnumbered insurance

and numbered in increments of \$50.01 - \$100.00 and for each \$100.00 increment from \$100.01 to \$5000.00.

- (f) Does the Postal Service sell insurance to U.S. postal patrons in excess of what a subsequent claimant could be paid? (e.g., Selling \$5000.00 worth of insurance when the maximum reimbursement liability limitation is less than \$5000.00.) If so, please provide the FY 2000 and FY 2001 volume of transactions and the revenue arising from such sales.

OCA/USPS-T36-41. If an insured package mailed from an APO/FPO address is destined for a United States address, and is subsequently lost in transit, please explain the following:

- (a) Who is liable for reimbursing the APO/FPO postal patron? •
- (b) What is the extent of the reimbursement liability?
- (c) Please provide the FY 2000 limit on the insurance liability for mailing from each APO/FPO address to the United States.
- (d) At the time of mailing, does the APO/FPO "window clerk" inform a postal patron about the maximum reimbursement liability limitations? If so, please provide a copy of the "script" used to inform the postal patron. If not, please explain why no explanation or "warning" about purchasing excessive insurance is provided to the patron.
- (e) For FY 2000 and FY 2001, please provide the volume and revenue generated by insurance transactions sold in APO/FPO facilities to patrons for mail sent to the United States. Include in your response, the volume and revenue delineated by

unnumbered insurance and numbered in increments of \$50.01 - \$100.00 and each \$100.00 increment from \$100.01 to \$5000.00.

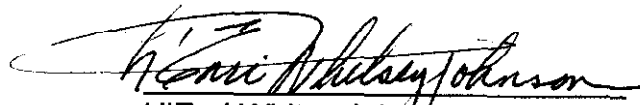
- (f) Does the Postal Service sell insurance to APO/FPO patrons in excess of what a subsequent claimant could be paid? (e.g., Selling \$5000.00 worth of insurance when the maximum reimbursement liability limitation is less than \$5000.00.) If so, please provide the FY 2000 and FY 2001 volume of transactions and the revenue arising from such sales.

OCA/USPS-T36-42. Does USPS postal insurance provide the same type of service for military consumers using APO/FPO postal facilities as it does for domestic Post Office? If not, what are the differences and how are they explained to the customer?

OCA/USPS-T36-43. The following interrogatory refers to USPS-LR-J-109, WP-5, Page 2 of 2. Please confirm that the header for column (1) "FY 1998" should be "FY 2000". If you are unable to confirm, please provide the "FY 2000" values for column (1) and update columns (2) through (8).

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 Rule 12 of the rules of practice.


H'Enri Whitseyjohnson

Washington, D.C. 20268-0001
October 12, 2001