

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS NEEDHAM TO INTERROGATORIES OF  
DOUGLAS F. CARLSON (DFC/USPS-T39-1-4)  
AND OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T24-40(A)-(C) REDIRECTED FROM WITNESS LION)

The United States Postal Service hereby provides responses of witness Needham to the following interrogatories: DFC/USPS-T39-1-4, filed by Douglas F. Carlson on August 6, 1997; and OCA/USPS-T24-40(a)-(c), filed by the Office of the Consumer Advocate on August 5, 1997, and redirected from witness Lion.

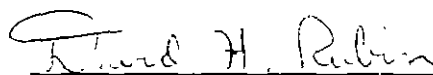
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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August 18, 1997

RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO  
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T39-1. Please refer to your testimony at page 59. For Group A, B, C, and D post-office boxes, please provide a table similar to the one on page 59 that shows the cost coverage for each group and size at (1) the current fee and (2) the proposed fee.

RESPONSE:

Please see the attached table for the cost coverages at the current and proposed fees. Note that the cost coverages at the proposed fees were calculated using the before rates per box costs.

POST OFFICE BOX COST COVERAGES  
AT CURRENT AND PROPOSED FEES

Service	Current Fee Volume	Cost Per Piece (\$)	Current Fee Total Cost	Current Fee Revenue	Current Fee Cost Coverage (Col 4/Col 3)	Proposed Fee Volume	Cost Per Piece (\$)	Proposed Fee Total Cost 1/	Proposed Fee Revenue	Proposed Fee Cost Coverage (Col 9/Col 8)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<b>Post Office Boxes</b>										
Group A - Size 1	72,129	\$53.43	3,853,852	3,462,192	89.8%	54,875	\$53.43	2,931,971	3,841,250	131.0%
Group A - Size 2	4,500	\$76.79	345,555	333,000	96.4%	3,368	\$76.79	258,629	353,640	136.7%
Group A - Size 3	2,524	\$146.89	370,750	323,072	87.1%	1,943	\$146.89	285,407	359,455	125.9%
Group A - Size 4	242	\$287.08	69,473	58,564	84.3%	199	\$287.08	57,129	64,675	113.2%
Group A - Size 5	69	\$567.47	39,155	28,842	73.7%	57	\$567.47	32,346	31,350	96.9%
Group B - Size 1	124,239	\$43.74	5,434,214	5,466,516	100.6%	102,625	\$43.74	4,488,818	6,157,500	137.2%
Group B - Size 2	29,835	\$62.26	1,857,527	1,969,110	106.0%	23,298	\$62.26	1,450,533	2,096,820	144.6%
Group B - Size 3	10,744	\$117.82	1,265,858	1,203,328	95.1%	8,860	\$117.82	1,043,885	1,329,000	127.3%
Group B - Size 4	1,553	\$228.94	355,544	338,554	95.2%	1,288	\$228.94	294,875	373,520	126.7%
Group B - Size 5	1,516	\$451.18	683,989	563,952	82.5%	1,383	\$451.18	623,982	601,605	96.4%
Group C - Size 1	5,291,127	\$30.77	162,807,978	211,645,080	130.0%	4,945,941	\$30.77	152,186,605	222,567,345	146.2%
Group C - Size 2	2,239,904	\$42.81	95,890,290	129,914,432	135.5%	2,076,309	\$42.81	88,886,788	134,960,085	151.8%
Group C - Size 3	742,733	\$78.92	58,616,488	77,244,232	131.8%	702,145	\$78.92	55,413,283	80,746,675	145.7%
Group C - Size 4	158,544	\$151.15	23,963,926	27,269,568	113.8%	147,591	\$151.15	22,308,380	28,780,245	129.0%
Group C - Size 5	33,185	\$295.61	9,809,818	9,557,280	97.4%	30,982	\$295.61	9,158,589	10,069,150	109.9%
Group D - Size 1	3,985,837	\$28.32	112,878,904	47,830,044	42.4%	3,879,073	\$28.32	109,855,347	69,823,314	63.6%
Group D - Size 2	1,561,215	\$39.13	61,090,343	31,224,300	51.1%	1,507,223	\$39.13	58,977,636	45,216,690	76.7%
Group D - Size 3	403,555	\$71.56	28,878,396	14,527,980	50.3%	395,869	\$71.56	28,328,386	21,772,795	76.9%
Group D - Size 4	32,290	\$136.42	4,405,002	1,711,370	38.9%	31,888	\$136.42	4,350,161	2,551,040	58.6%
Group D - Size 5	3,607	\$266.14	959,967	299,381	31.2%	3,579	\$266.14	952,515	447,375	47.0%

Source: USPS-T-39 WP17, pages 2 and 3, except costs per piece from Columns 2 and 7 which are from USPS-T-24, page 27, as revised August 14, 1997.

1/ Using before rates costs per piece provided by witness Lion.

RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO  
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T39-2. Please refer to your testimony at page 60, lines 4-5. Does the term "carrier delivery" include delivery by a rural carrier?

RESPONSE: Yes.

RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO  
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T39-3. Please confirm that DMM section S911.2.1 requires the mailer, in accordance with the chart contained in that section, to declare the full value of a registered article when the mailer presents it for registration and mailing.

RESPONSE:

Confirmed.

RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO  
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T39-4. Please refer to your testimony at page 78, lines 4-5, where you testified that "a value level of \$0.00 indicates there is no need for insurance." Please explain why there is a need for a customer to purchase postal insurance if (1) the customer wishes to send a \$1,000 diamond ring via registered mail and (2) the mailer's own, private insurance would reimburse him for the loss of the ring.

RESPONSE:

When a claim is settled for a lost, stolen, or damaged registered article, the Postal Service is the insurer of first resort. Consequently, if a mailer has private insurance, the insurer may be reimbursed for any payment made to the insured to the extent that the insured has received payment from the insurer. In essence, the private insurance company is made whole and the registered mail customer should not experience an increase in premiums because of the loss or damage of a registered article, since the insurance company is reimbursed for any claim it may have already paid.

Moreover, if an article is lost or damaged while in the possession of the Postal Service, many customers expect the Postal Service to compensate them for the loss, regardless of whether the item was insured. The proposals in Docket No. MC96-3 and this docket, by including insurance for all articles with monetary value, are intended to enable the Postal Service to meet these customers' expectations.

RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
(REDIRECTED FROM WITNESS LION)

OCA/USPS-T24-40. Please refer to your testimony at page 15, Table 7D, and the table below.

<u>Delivery/Fee Group</u> [A]	<u>Pre 96-3 Fees</u> [B]	<u>Post 96-3 Fees</u> [C]
IA/A	\$500	\$500
IB/B	\$480	\$480
IC/C	\$450	\$450
II/D	\$134	\$450

- a. Please confirm that the annual fees for caller service prior to PRC Op. MC96-3, are those shown in column [B]. If you do not confirm, please explain.
  
- b. Please confirm that the annual fees for caller service recommended by the Commission in PRC Op. MC96-3, are those shown in column [C]. If you do not confirm, please explain.
  
- c. Please confirm that caller service customers in Delivery/Fee Group II/D experienced a fee increase of 236 percent. If you do not confirm, please explain.

RESPONSE:

- a) Not confirmed for the \$134 fee for Pre 96-3 Group II. The annual Pre 96-3 fees for Group II caller service were either \$55 or \$450, depending on the circumstances. An estimated 80 percent of the caller service customers in Group II paid the fee of \$55 (the former fee for a size 5 box) and an estimated 20 percent of the caller service customers paid the Group IC caller

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a) Continued

service fee of \$450. See Docket No. MC96-3, USPS-T-7, p. 4. The \$134 fee represents a weighted average of the two fees.

b) Confirmed.

c) Not confirmed, since no customer faces a proposed 236 percent increase.

Please see my response to OCA/USPS-T24-40(a). However, using the \$134 average, the \$450 fee represents a 236 percent increase.



**DECLARATION**

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

Susan W. Needham

Dated: August 18 1997

**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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August 18, 1997