

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-241-42, 244, 248-53)

The United States Postal Service hereby provides its responses to the following interrogatories of Office of the Consumer Advocate OCA/USPS-241-42, 244, 248-53. , The first three of these were filed on November 21, 2001, and the rest of them were filed on November 23, 2001. A partial objection to these interrogatories was filed on December 3, 2001.

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

Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083; Fax -5402
December 12, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-241. At <http://www.usps.com/payments/services/>, one of the online payment services offered is USPS eBillPay™ for Consumers.

- (a) What was the date of inception for this service?
- (b) Please describe the role of the Postal Service in offering this service. Provide all documents describing the role of the Postal Service in offering this service.
- (c) Is First-Class Mail ever used to pay bills on behalf of consumers?
- (d) If so, in what percentage of instances are bills paid by mail?
- (e) In what percentage of instances are bills paid by electronic funds transfer?
- (f) Are bills ever presented by means of First-Class Mail?
- (g) If so, in what percentage of instances are bills presented by mail?
- (h) In what percentage of instances are bills presented in electronic form? What form does such presentation take?
- (i) Please provide, by fiscal year, since inception, the revenues generated on behalf of the Postal Service by USPS eBillPay™ for Consumers. For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
- (j) For each fiscal year since inception, please state the revenue per bill payment generated by USPS eBillPay™ for Consumers. For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
- (k) Please provide, by fiscal year, since inception, the operating costs incurred by the Postal Service in providing USPS eBillPay™ for Consumers. For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
- (l) What are the total start-up costs since inception for USPS eBillPay™ for Consumers?
- (m) Are the rates charged to consumers for USPS eBillPay™ for Consumers set at a level high enough so that start-up costs for USPS eBillPay™ for Consumers are recovered over a specific period of time? If so, what is the specific time period? If not, how are the start-up costs of USPS eBillPay™ for Consumers being funded? Please state the source for all information provided in response to this question.
- (n) Are the rates charged to consumers for USPS eBillPay™ for Consumers high enough to recover the operating costs of USPS eBillPay™ for Consumers? Please provide, by fiscal year since inception, the revenues and the operating costs used to answer the question posed. Please state the source for information used in performing the calculation.
- (o) For each fiscal year since inception, please state the operating cost per bill payment generated by USPS eBillPay™ for Consumers. For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
- (p) For each fiscal year since inception, please state the total cost per bill payment generated by USPS eBillPay™ for Consumers. (For purposes of this question, total cost is defined as operating cost plus start-up cost).

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

- For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
- (q) In total, since inception, please provide the net surplus/loss generated by USPS eBillPay™ for Consumers. State whether operating costs alone are used in providing this answer. State explicitly whether start-up costs are added to operating costs in providing this answer.

RESPONSE:

A partial objection to this interrogatory was filed on December 3, 2001.

The Postal Service's eBillPay™ was launched on April 5, 2000. The service permits a user, via an electronic interface, to direct bill payments to firms that have invoiced the user. Some payments are entered as First-Class Mail while others are consummated electronically. A third party designed, implemented, and operates the infrastructure that facilitates payments.

Revenues for eBillPay™ are not measured separately; rather, they are measured for USPS Online Payment Services, which also includes Pay@Delivery and USPS Send Money. In Fiscal Year 2001, revenues for USPS Online Payment Services totaled \$1.1 million and operating costs totaled \$11.5 million.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-242. If First-Class Mail is involved in the operation of USPS eBillPay™ for Consumers, then why hasn't the Postal Service come to the Postal Rate Commission for a recommended decision on a classification and rate for this service?

- (a) Is USPS eBillPay™ for Consumers a service ancillary to the provision of First Class? Please explain.
- (b) Is First Class a service ancillary to USPS eBillPay™ for Consumers? Please explain.

RESPONSE:

(a-b) A partial objection to this interrogatory was filed on December 3, 2001.

See the response to OCA/USPS-241.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

- OCA/USPS-244.** At <http://www.usps.com/payments/services/>, one of the online payment services offered is USPS Send Money.
- (a) What was the date of inception for this service?
 - (b) Please describe the role of the Postal Service in offering this service. Provide all documents describing the role of the Postal Service in offering this service.
 - (c) Please provide, by fiscal year, since inception, the revenues generated on behalf of the Postal Service by USPS Send Money. For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
 - (d) Please provide, by fiscal year, since inception, the operating costs incurred by the Postal Service in providing USPS Send Money. For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
 - (e) What are the total start-up costs since inception for USPS Send Money for Consumers?
 - (f) Are the rates charged to customers for USPS Send Money set at a level high enough so that start-up costs for USPS Send Money are recovered over a specific period of time? If so, what is the specific time period? If not, how are the start-up costs of USPS Send Money being funded? Please state the source for all information provided in response to this question.
 - (g) Are the rates charged to consumers for USPS Send Money high enough to recover the operating costs of USPS Send Money? Please provide, by fiscal year since inception, the revenues and the operating costs used to answer the question posed. Please state the source for information used in performing the calculation.
 - (h) In total, since inception, please provide the net surplus/loss generated by USPS Send Money. State whether operating costs alone are used in providing this answer. State explicitly whether start-up costs are added to operating costs in providing this answer.

RESPONSE:

A partial objection to this interrogatory was filed on December 3, 2001

USPS Send Money™ is a service offered as part of USPS Online Payment Services. It was launched on August 28, 2001. USPS Send Money allows a customer to send money electronically from her checking or money market account to another person's checking or money market account. Both sender and receiver must be enrolled in the service. The sender enters electronically the recipient's email address, last name, and amount to be sent.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

All transactions are protected by the USPS Electronic Postmark® verification.

The recipient's account is credited with the money while the recipient herself is notified via email that funds have been received.

Revenue and expense values for USPS Online Payment Services are provided in response to OCA/USPS-241.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-248. At <<http://www.usps.com/paymentservices/pspaymnt.htm>> one of the online payment services offered is USPS Pay@Delivery™.

- a. Please describe the operation of this service in detail.
- b. Is this service offered in connection with Priority Mail? Please explain.
- c. Is this form of payment limited to Priority Mail? Please explain.
- d. Is this form of payment available to pay for items shipped by carriers other than the Postal Service, e.g., UPS or Fedex? Please explain.
- e. What was the date of inception for this service?
- f. Please describe the role of the Postal Service in offering this service. Provide all documents describing the role of the Postal Service in offering this service.
- g. Please provide, by fiscal year, since inception, the revenues generated on behalf of the Postal Service by USPS Pay@Delivery™. For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
- h. Please provide, by fiscal year, since inception, the operating costs incurred by the Postal Service in providing USPS Pay@Delivery™. For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
- i. What are the total start-up costs since inception for USPS Pay@Delivery™? Please state the source for this answer.
- j. Are the rates charged to customers for USPS Pay@Delivery™ set at a level high enough so that start-up costs for USPS Pay@Delivery™ are recovered over a specific period of time? If so, what is the specific time period? If not, how are the start-up costs of USPS Pay@Delivery™ being funded? Please state the source for all information provided in response to this question.
- k. Are the rates charged to customers for Pay@Delivery™ high enough to recover the operating costs of USPS Pay@Delivery™? Please provide, by fiscal year since inception, the revenues and the operating costs used to answer the question posed. Please state the source for information used in performing the calculation.
- l. In total, since inception, please provide the net surplus/loss generated by USPS Pay@Delivery™. State whether operating costs alone are used in providing this answer. State explicitly whether start-up costs are added to operating costs in providing this answer.

RESPONSE:

A partial objection to this interrogatory was filed on December 3, 2001.

Pay@Delivery™ was launched on August 28, 2001. It is offered as part of USPS Online Payment Services, and is a feature of USPS Send Money.

Pay@Delivery can be explained in terms of Buyer, an auction purchaser

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

unknown to Seller, an auction seller who sends purchased goods to Buyer via Priority Mail with Delivery Confirmation. Buyer and Seller, both USPS Send Money customers, use Pay@Delivery to condition release of Buyer's payment to Seller upon the Delivery Confirmation scan confirming delivery of the Priority Mail package to Buyer. Buyer's funds are withdrawn from her funding account and held by Pay@Delivery until the Delivery Confirmation scan that confirms delivery, after which the funds are transferred electronically into Seller's account. In addition to postage and fees, the Postal Service receives a payment from Buyer – the sender of money via USPS Send Money.

Revenue and expense values for USPS Online Payment Services are provided in response to OCA/USPS-241.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

- OCA/USPS-249.** Does USPS Pay@Delivery™ function much like COD?
- a. Please list and describe all similarities.
 - b. Please list and describe all differences.
 - c. Is USPS Pay@Delivery™ a service ancillary to the provision of Priority Mail? Please explain.
 - d. If USPS Pay@Delivery™ is offered primarily in connection with Priority Mail and functions much like COD, then why hasn't the Postal Service come to the Postal Rate Commission for a recommended decision on a classification and rate for this service?

RESPONSE:

(a-c) A partial objection to this interrogatory was filed on December 3, 2001.

See the response to OCA/USPS-248.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-250. At <<http://www.usps.com/netpost/cardstore/>> one of the online services offered is NetPost™ CardStore.

- a. Please describe the operation of this service in detail.
- b. Are cards purchased through this service mailed as First-Class Mail? Please explain.
- c. Can a customer use NetPost™ CardStore and have a card mailed in any other classes of mail than First Class, e.g., Priority Mail or Express Mail? Please explain.
- d. Is this service available if cards are shipped by carriers other than the Postal Service, e.g., UPS or Fedex? Please explain.
- e. What was the date of inception for this service?
- f. Please describe the role of the Postal Service in offering this service. Provide all documents describing the role of the Postal Service in offering this service.
- g. Please provide, by fiscal year, since inception, the revenues generated on behalf of the Postal Service by NetPost™ CardStore. For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
- h. Please provide, by fiscal year, since inception, the operating costs incurred by the Postal Service in providing NetPost™ CardStore For Fy2002, please provide this information by AP. Please state the source for all information provided in response to this question.
- i. What are the total start-up costs since inception for NetPost™ CardStore? Please state the source for this answer.
- j. Are the rates charged to customers for NetPost™ CardStore set at a level high enough so that start-up costs for NetPost™ CardStore are recovered over a specific period of time? If so, what is the specific time period? If not, how are the start-up costs of NetPost™ CardStore being funded? Please state the source for all information provided in response to this question.
- k. Are the rates charged to customers for NetPost™ CardStore high enough to recover the operating costs of NetPost™ CardStore? Please provide, by fiscal year since inception, the revenues and the operating costs used to answer the question posed. Please state the source for information used in performing the calculation.
- l. In total, since inception, please provide the net surplus/loss generated by NetPost™ CardStore. State whether operating costs alone are used in providing this answer. State explicitly whether start-up costs are added to operating costs in providing this answer.

RESPONSE:

A partial objection to this interrogatory was filed on December 3, 2001.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

NetPost CardStore allows postal customers with access to a personal computer (PC) and an Internet connection to design greeting cards and postcards online and to submit these for subsequent printing and finishing. The service resides on a third party's web site; the third party prints the cards as specified and either places them in stamped, addressed envelopes and transports them to a local postal facility for acceptance, processing, and subsequent delivery by the Postal Service, or else ships the order directly to the customer. The entire transaction, including payment, can be completed during a single visit to the web site. A link to the service is available on the Postal Service web site (www.USPS.com) in return the Postal Service receives what amounts to a referral fee. Customers are charged a production fee determined by the third party. When the cards are prepared and entered directly as mail by the contractor, customers are charged the applicable single-piece First-Class Mail postage.

NetPost CardStore was launched during PQ 3 in FY2001. Operating revenue through that quarter was \$56,098; operating expense was \$74,755.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-251. With respect to NetPost™ CardStore:

- a. Is NetPost™ CardStore ancillary to the provision of First-Class Mail?
Please explain.
- b. Is First-Class Mail ancillary to the provision of NetPost™ CardStore?
Please explain.
- c. If NetPost™ CardStore cards are primarily (or mostly) mailed as First-Class Mail, then why hasn't the Postal Service come to the Postal Rate Commission for a recommended decision on a classification and rate for this service?

RESPONSE:

(a-b) A partial objection to this interrogatory was filed on December 3, 2001.

See the response to OCA/USPS-250.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-252. At < <http://www.usps.com/netpost/certifiedmail/>> one of the online services offered is NetPost™ Certified Mail.

- a. Please confirm that the following statement is made to describe NetPost™ Certified Mail at the Uniform Resource Locator set forth above:

The U.S. Postal Service now offers traditional certified mail via the Internet. This new service verifies the address, adds the barcode, prints, folds, and completes the certification forms with just a few clicks of a mouse.

All *you* do is create a document, pay online and send.

- b. Please describe the operation of this service in detail.
- c. Please list the classes of postal service to which NetPost™ Certified Mail may be added.
- d. Is this service available for items shipped by carriers other than the Postal Service, e.g., UPS or Fedex? Please explain.
- e. Please confirm that the following statement is made at <http://www.usps.com/netpost/certifiedmail/aboutcm.htm>:
Certified mail service is available for: First-Class Mail and Priority Mail. *Certified Mail using Priority Mail is not yet available through this service.*
- f. Please confirm that at <http://www.usps.com/netpost/certifiedmail/cmfaq.htm#usps>: the FAQs for NetPost™ Certified Mail contain the following question and answer:
“Is this authentic United States Postal Service Mail?
Yes.”
- g. Please confirm that Certified Mail offered under Fee Schedule 941 is subject to the jurisdiction of the Postal Rate Commission.
- h. Since the Postal Service vends NetPost™ Certified Mail as “traditional certified mail” (see quote from part a. of this interrogatory) and “authentic United States Postal Service Mail” (see quote from part f. of this interrogatory), then should not NetPost™ Certified Mail also be subject to the jurisdiction of the Postal Rate Commission? Please explain.
- i. What was the date of inception for this service?
- j. Please describe the role of the Postal Service in offering this service.
Provide all documents describing the role of the Postal Service in offering this service.
- k. What are the rates for NetPost™ Certified Mail? Give the full set of rates that may be paid by NetPost™ Certified Mail customers.
- l. Please provide, by fiscal year, since inception, the revenues generated on behalf of the Postal Service by NetPost™ Certified Mail. For FY2002, please provide this information by AP. Please state the source for all information provided in response to this question.
- m. Please provide, by fiscal year, since inception, the operating costs incurred by the Postal Service in providing NetPost™ Certified Mail,

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

- please provide this information by AP. Please state the source for all information provided in response to this question.
- n. What are the total start-up costs since inception for NetPost™ Certified Mail? Please state the source for this answer.
 - o. Are the rates charged to customers for NetPost™ Certified Mail set at a level high enough so that start-up costs for NetPost™ Certified Mail are recovered over a specific period of time? If so, what is the specific time period? If not, how are the start-up costs of NetPost™ Certified Mail being funded? Please state the source for all information provided in response to this question.
 - p. Are the rates charged to customers for NetPost™ Certified Mail high enough to recover the operating costs of NetPost™ Certified Mail? Please provide, by fiscal year since inception, the revenues and the operating costs used to answer the question posed. Please state the source for information used in performing the calculation.
 - q. In total, since inception, please provide the net surplus/loss generated by NetPost™ Certified Mail. State whether operating costs alone are used in providing this answer. State explicitly whether start-up costs are added to operating costs in providing this answer.

RESPONSE:

A partial objection to this interrogatory was filed on December 3, 2001.

NetPost Certified Mail allows postal customers with access to a personal computer (PC) and an Internet connection to enter or submit electronically information and payment that becomes traditional hard copy Certified Mail letters or flats. Customers conduct their transaction, including payment and uploading of content and address information, on a third party's web site. A link to this service is available from the Postal Service web site (www.USPS.com); in return the Postal Service receives what amounts to a referral fee. The operator of the third party web site enters mail on the same terms as any other mailer of Certified Mail as specified in the Domestic Mail Classification Schedule and the Domestic Mail Manual. Customers are charged the Certified Mail fee and applicable single piece First-Class Mail postage rate as well as any charges for

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

selected service options such as return receipt service or restricted delivery, in addition to a production fee set by the web site operator.

NetPost Certified Mail was launched during PQ3, FY2001. The most recent available revenue and expense figures:

operating revenue \$837

operating expense \$569

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-253. With respect to NetPost™ Certified Mail:

- a. Is NetPost™ Certified Mail offered in connection with Fee Schedule 941 Certified Mail? Please explain.
- b. Is NetPost™ Certified Mail offered in connection with First-Class Mail? Please explain.
- c. Is NetPost™ Certified Mail ancillary to the provision of Fee Schedule 941 Certified Mail? Please explain.
- d. Is Fee Schedule 941 Certified Mail ancillary to the provision of NetPost™ Certified Mail ancillary to the provision of First-Class Mail? Please explain.
- e. Is NetPost™ Certified Mail ancillary to the provision of First-Class Mail? Please explain.
- f. Is First-Class Mail ancillary to the provision of NetPost™ Certified Mail? Please explain.

RESPONSE:

A partial objection to this interrogatory was filed on December 3, 2001.

See the response to OCA/USPS-252.

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.

Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
December 12, 2001