

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF POSTAL SERVICE WITNESS BERKELEY
TO INTERROGATORIES OF GROWING FAMILY, INC.
(GF/USPS-T39-1-7, 13, 17, 19)

The United States Postal Service hereby files the responses of Witness Berkeley to the above listed interrogatories, filed on May 26, 2006. The remaining responses are still being prepared.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BERKELEY TO INTERROGATORIES OF GROWING FAMILY, INC. (GF/USPS-T39-1-7,13,17,19)

GF/USPS-T39-1.

- a. Please confirm that Exhibit No. USPS-10C for FY 2006 shows volume variable city carrier costs (component 257) attributed to COD of \$896,000 and volume variable rural carrier costs (component 260) attributed to COD of \$1,807,000. If you cannot so confirm, please provide the correct dollar amounts.
- b. Please provide a breakdown of the number or forecast of COD packages and the number or forecast of COD claims paid for FY 2006 into city carrier and rural carrier segments.

RESPONSE:

- a. See witness Waterbury's response to interrogatory GF/USPS-T10-2(a).
- b. The Postal Service does not forecast claims paid, though below is the forecast for the number of COD packages for 2006 by value level. No breakdown by carrier type is available.

<u>Value Up To</u>	<u>2006 Forecast Volume</u>
50	389,345
100	313,760
200	446,578
300	166,061
400	48,491
500	21,973
600	14,283
700	5,565
800	5,908
900	88
1000	5,845
Registered	3,224
Notice of Non-Delivery	53,170
Alteration of COD	0
Restricted Delivery	0
TOTAL (Excludes Additional Services)	1,417,897

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GF/USPS-T39-2. Has the Postal Service changed its policy with respect to the amount to be paid to COD claimants in the past 5 years? If so, please explain in detail and state whether such change increased, decreased or did not affect the individual and the overall level of claims paid and state whether and where such change is reflected anywhere in the DMCS, the DMM or elsewhere.

RESPONSE:

As a result of Docket No. R2000-1, the Postal Service increased the indemnity limit for COD from \$600 to \$1,000. Therefore, the potential amount to be paid to claimants has increased since the beginning of 2001. On May 1, 2004, the policies and procedures for processing indemnity claims were revised, not only to clarify the existing policies and procedures, but to establish other guidelines with respect to indemnity claims. Please see Postal Bulletin 22127, dated 4-29-04, which outlines the clarifications and changes and provides the revisions to the applicable sections of the Domestic Mail Manual and Postal Operations Manual.

This Postal Bulletin article can be viewed at

www.usps.com/cpim/ftp/bulletin/2004/pb22127.pdf

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GF/USPS-T39-3. Has the Postal Service changed its practice with respect to the amount to be paid to claimants in the past 5 years? If so, please explain in detail and state whether such change increased, decreased or did not affect the individual and the overall level of claims paid and state whether and where such change is reflected anywhere in the DMCS, the DMM or elsewhere.

RESPONSE:

Please see my response to GF/USPS-T39-2.

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GF/USPS-T39-4.

- a. Please confirm that Attachment 1 to USPS-T-47 (Davis) shows that when moving from test year before rates to test year after rates, the volume of COD mail increases but the volume variable costs of COD mail go down.
- b. If you so confirm, please explain why volumes and costs are forecast to move in opposite directions.

RESPONSE:

- a. Not confirmed. Attachment 1 to USPS-T-47 shows that COD volume **declines** from test year before to test year after rates, while the volume variable costs go down as well.
- b. Not applicable.

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GF/USPS-T39-5. Please list for each of the Postal Service's five largest COD customers (no names need be provided) the COD volumes, the number of claims submitted and the number of such claims paid for each year (or fiscal year) 2003 to present.

RESPONSE:

Below is the COD volume for the five largest COD customers in 2005 (in terms of volume) who tender their COD postage and fees through a mailing statement.

The Postal Service does not produce a report on claims information by individual COD customer.

VOLUME FY06 YTD MAY	VOLUME FY05 TOTAL	VOLUME FY04 TOTAL	VOLUME FY03 TOTAL
94,743	148,963	205,355	277,114
1,162	82,795	80,086	79,428
46,423	81,909	63,984	47,840
43,980	76,165	79,880	82,360
40,250	65,901	90,193	111,358

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GF/USPS-T39-6. Please provide actual or forecast data showing the number of COD claims paid for each year (or fiscal year) 2004 to the present, with each annual amount broken down by fee paid (that is, \$0.01- \$50, \$50.01-\$100, \$100.01-\$200, etc.).

RESPONSE:

Please see the attached for the COD claims data for FY 2004 and FY 2005 by value level.

COD Claims
FY 2004

Attachment 1 to GF/USPS-T39-6

<u>Amount Paid</u>	<u>Reason</u>	<u>Claim Count</u>	<u>Amount Paid</u>
<= \$50	Damage	60	\$1,419
	Loss	6,659	\$227,723
	No Remit	576	\$20,738

Total		<u>7,295</u>	<u>\$249,880</u>
\$50.01 to \$100	Damage	61	\$4,206
	Loss	6,747	\$479,571
	No Remit	587	\$42,472

Total		<u>7,395</u>	<u>\$526,249</u>
\$100.01 to \$200	Damage	40	\$5,720
	Loss	5,334	\$724,523
	No Remit	444	\$64,034

Total		<u>5,818</u>	<u>\$794,278</u>
\$200.01 to \$300	Damage	28	\$6,841
	Loss	921	\$214,373
	No Remit	63	\$14,576

Total		<u>1,012</u>	<u>\$235,790</u>
\$300.01 to \$400	Damage	17	\$5,697
	Loss	212	\$72,484
	No Remit	15	\$5,210

Total		<u>244</u>	<u>\$83,391</u>
\$400.01 to \$500	Damage	4	\$1,850
	Loss	84	\$36,966
	No Remit	11	\$4,976

Total		<u>99</u>	<u>\$43,792</u>
\$500.01 to \$600	Damage	1	\$575
	Loss	35	\$19,110
	No Remit	1	\$543

Total		<u>37</u>	<u>\$20,227</u>
\$600.01 to \$700	Damage	2	\$1,358
	Loss	20	\$12,945

Total		<u>22</u>	<u>\$14,303</u>
\$700.01 to \$800	Damage	4	\$3,043
	Loss	9	\$6,734

Total		<u>13</u>	<u>\$9,777</u>
\$800.01 to \$900	Damage	1	\$833
	Loss	4	\$3,429

Total		<u>5</u>	<u>\$4,262</u>
\$900.01 to \$1000	Damage	1	\$931
	Loss	4	\$3,830

Total		<u>5</u>	<u>\$4,761</u>
\$1000.01 to \$1100	Loss	5	\$5,066

		<u>5</u>	<u>\$5,066</u>
Total		<u>21,950</u>	<u>\$1,991,776</u>

COD Claims
FY 2005

Attachment 2 to GF/USPS-T39-6

<u>Amount Paid</u>	<u>Reason</u>	<u>Claim Count</u>	<u>Amount Paid</u>
<= \$50	Damage	85	\$2,371
	Loss	1,879	\$44,036
	No Remit	3,099	\$86,216

Total		5,063	\$132,623
\$50.01 to \$100	Damage	75	\$5,542
	Loss	1,598	\$117,045
	No Remit	2,375	\$173,577

Total		4,048	\$296,164
\$100.01 to \$200	Damage	51	\$6,979
	Loss	1,513	\$212,604
	No Remit	4,233	\$604,156

Total		5,797	\$823,739
\$200.01 to \$300	Damage	33	\$7,702
	Loss	352	\$82,873
	No Remit	880	\$209,004

Total		1,265	\$299,579
\$300.01 to \$400	Damage	12	\$4,367
	Loss	104	\$35,305
	No Remit	220	\$74,468

Total		336	\$114,140
\$400.01 to \$500	Damage	9	\$3,903
	Loss	42	\$18,285
	No Remit	78	\$34,354

Total		129	\$56,542
\$500.01 to \$600	Damage	3	\$1,584
	Loss	16	\$8,882
	No Remit	25	\$13,481

Total		44	\$23,947
\$600.01 to \$700	Damage	3	\$1,940
	Loss	11	\$7,011
	No Remit	10	\$6,509

Total		24	\$15,460
\$700.01 to \$800	Loss	8	\$5,943
	No Remit	4	\$2,985

Total		12	\$8,928
\$800.01 to \$900	Damage	5	\$4,188
	Loss	7	\$5,911
	No Remit	6	\$5,015

Total		18	\$15,113
\$900.01 to \$1000	Loss	3	\$2,893
	No Remit	4	\$3,775

Total		7	\$6,667
\$1000.01 to \$1100	Damage	1	\$1,048
	Loss	10	\$10,265
	No Remit	3	\$3,117

Total		14	\$14,430
Total		16,757	\$1,807,330

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GF/USPS-T39-7. For each year (or fiscal year) 2004 to the present, please provide a breakdown of the number, or approximate number (or percentage) of claims paid that fall into the following categories: (1) the article is delivered, but the funds are not collected from the recipient, (2) the article is lost or destroyed before delivery, (3) the article is refused or unclaimed by the recipient and lost or destroyed prior to its return, (4) the article is delivered and the funds collected, but the payment is not provided to the sender (5) other. If any claims fall into the "other" category, please explain the most frequent reasons.

RESPONSE:

Please see the response to GF/USPS-T39-6. The Postal Service collects data on claims paid only for damage, loss, or no remittance.

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GF/USPS-T39-13. In approximately what percentage of the valid COD claims is the reason for the claim *either* that the parcel was lost or destroyed before any attempted delivery or that it was lost or destroyed during its return to the mailer?

RESPONSE:

Please see my response to GF/USPS-T39-6 for the COD claims paid due to loss.

The Postal Service does not currently report COD claims information to the level of detail requested, i.e., at what stage the loss occurs.

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GF/USPS-T39-17.

(a) Please confirm that the most recent DMCS states in Fee Schedule 944 that the COD fee is based only upon “the amount to be collected” from the recipient.

(b) Please state the source of and authority for witness Berkeley’s statement at page 27 of USPS-T-39 that the fee is based on the higher of “the monetary value of the merchandise or the amount of insurance desired. . . .”

(c) Please confirm that prior versions of the DMCS stated that the amount of the COD fee is based upon the amount of insurance coverage desired.

(d) If you confirm both parts (a) and (c), please explain when the change was made and the reason for the change in the DMCS language.

RESPONSE:

- a. Not confirmed. The heading says “Amount to be collected” yet that does not mean the fee is “based only upon the ‘the amount to be collected’ from the recipient.
- b. Please see Domestic Mail Manual Section 503.11.1.2.
- c. Not confirmed. Versions of Fee Schedule 944 prior to Docket No. R2001-1 had the heading “Amount to be collected, or Insurance Coverage Desired.”
- d. Not applicable; however, the change appears to be an inadvertent omission in Docket No. R2001-1 of the “or Insurance Coverage Desired” language.

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GF/USPS-T39-19. For each year (or fiscal year) 2003 through the present, including a partial fiscal year in order to include the latest data, please state what percentage of valid claims filed were paid at a level lower than the amount to be collected from the recipient, and break down that percentage further to separate (a) those claims paid at less than the amount to be collected because the mailed product was damaged and had residual value and (b) those that were paid at less than the amount claimed for other reasons, such as but not limited to the Postal Service's view that even though the product was lost, the reproduction cost to the mailer was lower than the amount to be collected.

RESPONSE:

The Postal Service does not currently report COD claims information to the level of detail requested, i.e., claims paid at less than the amount to be collected or claims paid at less than the amount claimed for other reasons.