

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Complaint on Charges for the)
Bulk Parcel Return Service)

Docket No. C99-4

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO CONTINUITY SHIPPERS ASSOCIATION
WITNESS: LAWRENCE G. BUC (OCA/GSA-T1-1-16)
(December 29, 1999)

Pursuant to sections 25 and 26 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.

If data requested are not available in the exact format or level of detail requested, any data available in (1) a substantially similar format or level of detail or (2) susceptible to being converted to the requested format and detail should be provided.

The production of documents requested herein should be made by photocopies attached to responses of these interrogatories. If production of copies is infeasible due to the volume of material or otherwise, production should be made for inspection at the Office of the Consumer Advocate, 1333 H Street, N.W., Washington, D.C. 20268-0001, during the hours of 8:00 a.m. to 4:30 p.m.

If a privilege is claimed with respect to any data or documents requested herein, the party to whom this discovery request is directed should provide a Privilege Log, as

required in Presiding Officer's Rulings C99-1/9 and 11. Specifically, "the party shall make the claim expressly and shall describe the nature of the documents, communications, or things not produced or disclosed in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the applicability of the privilege or protection." F.R.C.P. 26(b)(5).

The term "documents" includes, but is not limited to: letters, telegrams, memoranda, reports, studies, newspaper clippings, speeches, testimonies, pamphlets, charts, tabulations, and workpapers. The term "documents" also includes other means by which information is recorded or transmitted, including printouts, microfilms, cards, discs, tapes and recordings used in data processing together with any written material necessary to understand or use such punch cards, discs, tapes or other recordings.

"All documents" means each document, as defined above, that can be located, discovered or obtained by reasonable diligent efforts, including without limitation all documents possessed by: (a) you or your counsel; or (b) any other person or entity from whom you can obtain such documents by request or which you have a legal right to bring within your possession by demand.

"Communications" includes, but is not limited to, any and all conversations, meetings, discussions and any other occasion for verbal exchange, whether in person or by telephone, as well as all documents, including but not limited to letters, memoranda, telegrams, cables, or electronic mail.

"Relating to" means discussing, describing, reflecting, containing, analyzing, studying, reporting, commenting on, evidencing, constituting, setting forth, considering, recommending, concerning, or pertaining to, in whole or in part. Responses to requests

for explanations or the derivation of numbers should be accompanied by workpapers. The term "workpapers" shall include all backup material whether prepared manually, mechanically or electronically, and without consideration to the type of paper used. Such workpapers should, if necessary, be prepared as part of the witness's responses and should "show what the numbers were, what numbers were added to other numbers to achieve a final result." The witness should "prepare sufficient workpapers so that it is possible for a third party to understand how he took data from a primary source and developed that data to achieve his final results." Docket No. R83-1, Tr. 10/2795-96. Where the arithmetic manipulations were performed by an electronic digital computer with internally stored instructions and no English language intermediate printouts were prepared, the arithmetic steps should be replicated by manual or other means.

Please especially note that if you are unable to provide any of the requested documents or information, as to any of the interrogatories, please provide an explanation for each instance in which documents or information cannot be or have not been provided.

Respectfully submitted,


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OCA/CSA-T1-1.

- a. Please provide a list of the member companies of the Continuity Shippers Association (herein, CSA).
- b. Please identify the companies listed in part a. of this interrogatory that are 1) continuity marketing mailers, 2) negative option mailers, or 3) both. See the testimony of witness Mohammad A. Adra (USPS-T-2) in Docket No. MC97-4 at 4.
- c. Please describe in general terms the products or merchandise (i.e., recorded music, books, cosmetics, etc.) distributed through the US Postal Service by the companies listed in part a. of this interrogatory.
- d. Please identify the class or classes of mail used to distribute the products or merchandise described in part c. of this interrogatory.

OCA/CSA-T1-2. Please refer to your testimony at page 5, where it states "Under the 1998 BPRS cost study (as revised), the actual coverage is 168%." Please show all calculations used to derive the figure of 168 percent.

OCA/CSA-T1-3. Please refer to your testimony at page 5, where it states "The 168% coverage is overstated in relation to this type of mail (Standard A regular) and to other similar return services, i.e., Bound Printed Matter."

- a. Please confirm that the Bound Printed Matter subclass consists of Standard Mail weighing at least 16 ounces, but not more than 15 pounds. If you do not confirm, please explain.

- b. Please identify the products or merchandise described in OCA/CSA-T1-1(c), above, that qualify for return via Bulk Parcel Return Service (herein, BPRS) that also qualify for the Bound Printed Matter subclass.
- c. Please confirm that the Bound Printed Matter subclass has two separate rates, one for single pieces and another for bulk mailings. If you do not confirm, please explain.
- d. Please confirm that mail matter qualifying for single piece Bound Printed Matter rates are not required to be "machineable." If you do not confirm, please explain.
- e. Please confirm that neither the DMCS nor the DMM authorize a return service specifically dedicated to the return of material qualifying for the Bulk Bound Printed Matter subclass. If you do not confirm, please explain.

OCA/CSA-T1-4. Please refer to your testimony at page 5, where it states "The 'value of service' in factor 2 looks at the inherent worth of the service provided to the sender and recipient."

- a. Please confirm that another consideration subsumed within the second criterion is the economic value of service provided to the sender and recipient. If you do not confirm, please explain.
- b. Please confirm that the economic value of service is often measured by the price elasticity of demand. If you do not confirm, please explain.
- c. Please confirm that, in general, a low elasticity of demand indicates a sender with a high value of service. If you do not confirm, please explain.

OCA/CSA-T1-5. Please refer to your testimony at page 9, where it states "There is no economically realistic alternative to the Postal Service return of BPRS parcels." Please confirm that a mailer having no economically realistic alternative or available substitutes for the return of BPRS parcels has a low price elasticity of demand. If you do not confirm, please explain.

OCA/CSA-T1-6. Please refer to your testimony at page 5, where it states "Parcels returned under BPRS are Standard A Regular mail which has a coverage of 135%."

- a. Please confirm that Standard Mail (A) parcel shape mail bearing a BPRS endorsement cannot be returned via any subclass of Standard Mail (A). If you do not confirm, please explain.
- b. Please confirm that a customer receiving a Standard Mail (A) parcel shape mail piece bearing a BPRS endorsement cannot re-enter the parcel into the mail for return to the mailer at any Standard Mail (A) rate. If you do not confirm, please explain.

OCA/CSA-T1-7. Please refer to your testimony at page 6, where it states "By comparison, on its return BPRS leg, the 'value' of the service is the by-product of an unsuccessful sales transaction."

- a. Please confirm that, prior to BPRS, there was no "value" of return service available in the DMM or the DMCS for any mail class following an unsuccessful sales transaction. If you do not confirm, please explain.

- b. Please confirm that, prior to BPRS, the result of an unsuccessful sales transaction was the routing of some products and merchandise to Mail Recovery Centers (herein, MRCs). If you do not confirm, please explain and provide any data to support your assertions.
- c. Please confirm that, prior to BPRS, any products and merchandise routed to MRCs resulting from an unsuccessful sales transaction were sold to the public at auctions or discarded. If you do not confirm, please explain 1) how CSA member companies recovered products or merchandise from MRCs, and 2) the estimated volume (in percentage terms) of products or merchandise routed to MRCs. Also, please provide any data to support your assertions.
- d. Please confirm that, prior to BPRS, mailers now using BPRS were uncertain for an indefinite period of time as to the outcome of the sales transaction if their returned merchandise was routed to mail recovery centers.
- e. Please confirm that BPRS facilitates the return to inventory of products or merchandise that is the result of an unsuccessful sales transaction. If you do not confirm, please explain and provide any data to support your assertions.
- f. Please confirm that BPRS facilitates payments by customers who include checks and other forms of payment for prior purchases in returned products or merchandise where there is an unsuccessful sales transaction. If you do not confirm, please explain and provide any data to support your assertions.

OCA/CSA-T1-8. Please refer to your testimony at page 7, where it states "Although a company may be able to reuse product that has been returned, the company incurs

additional costs beyond the BPRS fee in order to do so, such as processing the returns, and restocking the product.”

- a. Please confirm that, prior to BPRS, a company also incurred the additional costs of processing the returns, and restocking the product before being able to reuse the product. If you do not confirm, please explain.
- b. Please confirm that, prior to BPRS, a company incurred costs of recovering products routed to MRCs. If you do not confirm, please explain and provide any data to support your assertions.
- c. Please compare the “BPRS fee,” referenced in the quote above, to the cost of recovering products routed to MRCs in part b. of this interrogatory.

OCA/CSA-T1-9. Please refer to your testimony at page 8, where it states “One competitor in the continuity product market has reported to me that each unit of a main line of its products (representing forty percent of its business in terms of both volume and revenue) costs 30.77% more when re-introduced to inventory after return by the Postal Service than when taken directly from inventory for the first time, owing to the costs associated with re-integrating the product into inventory after being returned (including the cost of damages goods).”

- a. Please confirm that, for the competitor cited in the quote above, each unit of a main line of products returned also costs 30.77% more to re-introduce to inventory when the parcels are returned directly to that competitor by its customers without utilizing the BPRS. If you do not confirm, please explain and provide any data to support your assertions.

- b. Please confirm that for the competitor cited in the quote above, prior to BPRS each unit routed to MRCs cost 30.77% more to re-introduce to inventory, plus the cost of recovering returns from the MRCs. If you do not confirm, please explain and provide any data to support your assertions.

OCA/CSA-T1-10. Please refer to the section of your testimony entitled "Cost Coverage/Pricing."

- a. Please confirm that Standard Mail (A) parcel shape mail returned via BPRS consists of merchandise having an intrinsic value far in excess of the cost of the Standard (A) postage. If you do not confirm, please explain provide any data to support your assertions.
- b. Please confirm that Standard Mail (A) parcel shape mail returned via BPRS consists of merchandise that may be proprietary to the mailer. If you do not confirm, please explain provide any data to support your assertions.
- c. Please confirm that Standard Mail (A) parcel shape mail returned without postage prepaid by the customer but via BPRS preserves the integrity of the merchandise. If you do not confirm, please explain and describe the condition of Standard Mail (A) parcel shape mail containing products or merchandise recovered by CSA member companies from MRCs. Also, please provide any data to support your assertions.
- d. Please confirm that Standard Mail (A) parcel shape mail returned via BPRS reduces the overall expense and effort of mailers billing and collecting from

customers who have returned merchandise. If you do not confirm, please explain and provide any data to support your assertions.

- e. Please confirm that Standard Mail (A) parcel shape mail returned without postage prepaid by the customer but via BPRS serves to protect mailers against false claims by consumers that merchandise was not received. If you confirm, please explain and provide any data to support your assertions. If you do not confirm, please explain.

OCA/CSA-T1-11. In Docket No. MC97-4, USPS witness Mohammad A. Adra (USPS-T-2) makes the following statements on pages 4-6 concerning the need of shippers for a BPRS type service.

- a. "An effective and efficiently operating parcel return service is especially needed by mail order firms in general, and by continuity and negative option marketing firms in particular." Do you agree with the statement of witness Adra? Please explain your answer.
- b. "With continuity marketing, refusals and cancellations are handled by return of the product." Do you agree with the statement of witness Adra? Please explain your answer.
- c. "As described above [in the testimony], continuity and negative options mailers in particular, incur a relatively high parcel return rate as a normal course of business and their parcels tend to be concentrated mostly in the upper weight increments." Do you agree with the statement of witness Adra? Please explain your answer.

OCA/CSA-T1-12. Please confirm that the BPRS cost coverage at the current rate of \$1.75, based on the FY2000 BPRS unit cost in Table 2 of your testimony of 111.2 cents, is 157 percent ($\$1.75/111.2 = 157.39$ percent), only one percent higher than the originally established BPRS coverage of 156 percent which was based on unit cost of 111.90 cents ($\$1.75 / 1.1190 = 156.39$ percent).

OCA/CSA-T1-13. Please refer to page 5 of your testimony where you state, "As Standard (A) Regular mail, BPRS parcels receive low priority in term of transportation and processing...."

- a. Please explain the basis for your assumption that BPRS is Standard (A) Regular mail.
- b. Do not BPRS parcels receive the same priority in terms of transportation and processing as all Standard (A) Regular mail?
- c. Can you name any terms of service applicable to BPRS less desirable than the terms of service to Standard (A) Regular mail?
- d. If BPRS service receives the same terms of service in certain areas and higher value of service in other areas, does it not follow that, overall, the terms of service available to BPRS are higher than the service for Standard (A) Regular mail?

OCA/CSA-T1-14. On page 7 of your testimony you state, "Moreover, the value of the service to the mailer is the same whether the return has been opened or unopened.

Cosmetique has informed me that it processes unopened and opened returns in the same manner. The value of the BPRS service has not increased as a result of the recent minor modification.”

- a. Please confirm that the “recent minor modification” cited in the quote above refers to the classification changes adopted by the Commission and approved by the Governors in Docket No. MC99-4. If you do not confirm, please explain.
- b. Please confirm that the “recent minor modification” cited in the quote above has eliminated the legal and business uncertainty as to the treatment by the Postal Service of Standard (A) parcels that have been opened, resealed, and redeposited into the mail. If you do not confirm, please explain

OCA/CSA-T1-15. On page 7 of your testimony you state, “Moreover, the value of the service to the mailer is the same whether the return has been opened or unopened. Cosmetique has informed me that it processes unopened and opened returns in the same manner. The value of the BPRS service has not increased as a result of the recent minor modification.”

- a. Does Cosmetique include BPRS return labels in its packages?
- b. Has Cosmetique informed its customers that they are now permitted to return opened material without the payment of postage?
- c. Has Cosmetique experienced any increase in returns of opened packages since BPRS was modified?

OCA/CSA-T1-16. In your testimony on page 9, you cite factor 7 as favoring a straightforward fee structure and that your proposal will continue to facilitate such a fee structure. Is it not true that the current fee structure is also straightforward and consistent with factor 7?

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 section 12 of the rules of practice.


KENNETH E. RICHARDSON

Washington, D.C. 20268-0001
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