

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, 2000

Docket No. R2000-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
CONTINUITY SHIPPERS ASSOCIATION ET AL. WITNESS BUC
(USPS/CSA-T1-2-38)

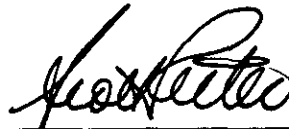
Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Continuity Shippers Association et al. witness Buc: USPS/CSA-T1-2-38.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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June 9, 2000

USPS/CSA-T1-2.

- (a) Please list the actual members of the Continuity Shippers Association (CSA) Do not include participants at CSA events.**
- (b) How many CSA members use BPRS?**
- (c) How many BPRS users, whether CSA members or not, have you personally spoken to in preparing your testimony?**
- (d) Have you done any surveys of BPRS users concerning the areas covered in your testimony relating to BPRS users' experiences with the service and their business needs and operations regarding returned BPRS parcels? If so, please provide the results of such surveys.**
- (e) Please describe in general terms the products or merchandise (i.e. recorded music, books, cosmetics, etc.) distributed through the Postal Service by the BPRS users listed in part (a) of this interrogatory.**
- (f) Please describe in general terms the products or merchandise (i.e. recorded music, books, cosmetics, etc.) distributed through the Postal Service by BPRS users not listed in part (a) of this interrogatory.**
- (g) Please identify the class or classes of mail used to distribute the products or merchandise described in parts (e) and (f) of this interrogatory.**

USPS/CSA-T1-3. Please refer to your testimony at pages 7-8 where you compare the cost coverages for Bound Printed Matter and Standard Mail (A) to the cost coverage for BPRS. Please also refer to your testimony at page 11, where you state that ECSI value does not apply to BPRS.

- (a) Confirm that the Commission has applied consideration of ECSI value to the development of rate levels for Bound Printed Matter.**
 - (i) If you cannot confirm, please explain fully.**
 - (ii) If you do confirm, please explain fully how ECSI value should be applied to returned material in BPRS.**
- (b) Confirm that the Commission does not apply consideration of ECSI value to the development of rate levels for Standard Mail (A). If you cannot confirm, please explain fully.**

USPS/CSA-T1-4. Please refer to your testimony at pages 7-8, where you state, "For other similar return services, the Postal Service is proposing much lower cost coverages. For Bound Printed Matter, the Postal Service is proposing a cost coverage of 117.6 percent."

- (a) Please confirm that the Bound Printed Matter subclass consists of matter 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 distributed through the Postal Service by BPRS users (as described in your response to USPS/CSA-T1-2(f) and (g)) that also qualify for the Bound Printed Matter subclass.**
- (c) Please confirm that mail matter qualifying for single piece Bound Printed Matter rates is not required to be machinable. If you do not confirm, please explain.**

USPS/CSA-T1-5. Please refer to your testimony at page 7, where you state, "Factor 2, "value of service" looks at the inherent worth of the service provided to the sender and recipient."

- (a) Please confirm that this factor also includes consideration of the economic value of the 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.

USPS/CSA-T1-6. Please confirm that your response below in Docket No. C99-4 regarding Mail Recovery Centers remains applicable to your testimony in this docket.:

Cosmetique prefers to receive returns directly without them going through the MRCs because it receives the returns sooner and there is less handling by the Postal Service. This enables Cosmetique to update customer accounts sooner. There is also a concern that merchandise may be auctioned or sold if it goes to a Mail Recovery Center.

USPS/CSA-T1-7. Please reconcile your statement that: "There is no service standard for BPRS" at page 7 with your discussion on page 8 of the requirement that BPRS be endorsed as Standard Mail (A) in order to inform postal employees of the appropriate processing requirements. In doing so, please specifically address your understanding as to whether the service standard for Standard Mail (A) applies to returned BPRS parcels.

USPS/CSA-T1-8. Do you have any data showing how the service performance of BPRS compares with that of the following?

- (a) Standard Mail (A)
 - (b) Bound Printed Matter
 - (c) Parcel Post
 - (d) non-BPRS returns of Standard Mail (A) parcels
- If so, please provide and explain fully.

USPS/CSA-T1-9. Do BPRS mailers receive BPRS returns together with, or segregated from, other classes of mail delivered to them by or picked up by them at the postal facility?

USPS/CSA-T1-10. Please refer to your discussion of factor 5 at page 10 of your testimony.

- (a) Confirm that private sector services exist whereby the shipment and return of BPRS mailers' merchandise could be effectuated.
- (b) Please state why BPRS mailers do not avail themselves of private sector alternatives for shipment and/or return of their merchandise.
- (c) Please explain what you mean by "economically realistic"?

(d) What would be the effect on BPRS mailers if, hypothetically, the Postal Service were to disappear from the face of the earth tomorrow and those mailers had to rely exclusively on private delivery firms?

USPS/CSA-T1-11.

- (a) What would be the reaction of BPRS mailers if the Postal Service proposed to eliminate BPRS?
- (b) What would be the effect on BPRS mailers if, hypothetically, the Commission were to recommend and the Governors accept the elimination of BPRS, as well as elimination of the pound limit for all Package Services, leaving BPRS mailers with the choice of First-Class Mail/Priority Mail or Parcel Post (or Bound Printed Matter or Media Mail, if appropriate) for their returns?

USPS/CSA-T1-12. Please refer to your testimony at pages 9-10, where you describe the additional costs to BPRS mailers of handling and/or re-introducing product into inventory. Please confirm that companies would not be re-introducing product into inventory were it not cost effective for them to do so. If you cannot confirm, please explain fully.

USPS/CSA-T1-13. Please refer to your discussion of factor 6 on page 10.

- (a) Please define "bulk processing."
- (b) At what stages of processing is outgoing Standard Mail (A) handled in bulk?
- (c) At what point in the mailstream is Standard Mail (A) broken down and handled as single pieces?
- (d) At what stages of processing is BPRS handled in bulk and at what stages is it handle as single pieces?
- (e) Does any "bulk processing" of BPRS occur before it reaches the destination facility?
- (f) Are the levels of preparation required for Standard Mail (A) more or less stringent than the levels of preparation required for BPRS? For purposes of this question more stringent requirements are those which require relatively more work on the part of the mailer to qualify and less stringent requirements require relatively less work.

USPS/CSA-T1-14. In your testimony at pages 8-9, you discuss and present statistics concerning Cosmetique's experience with the return of opened BPRS parcels.

- (a) Please provide similar statistics or any qualitative information available on the same subject with respect to other BPRS mailers.
- (b) Please provide your understanding or that of CSA as to why BPRS mailers requested or supported the change in the DMCS regarding opened parcels and return labels that resulted from Docket No. MC99-4.

USPS/CSA-T1-15. Please refer to your testimony at pages 9-10 concerning the costs to companies of processing and restocking BPRS returns.

- (a) Please confirm that processing and restocking costs associated with returned merchandise are not unique to parcels returned via BPRS, but are incurred regardless of the method of return.

(b) For the mailer cited in your testimony above that reports that each unit costs "about 30 percent more when reintroduced to inventory after being returned by the Postal Service than when taken directly from inventory for the first time, please confirm that this factor applies to any method of return and is not limited to BPRS returns.

USPS/CSA-T1-16. Do mailers find it economical to use BPRS service? If your answer is other than an unqualified yes, please explain fully.

USPS/CSA-T1-17. In Docket No. C99-4, you testified that "Cosmetique informed me that (on average) 20% of its products returned through the Postal Service lose their integrity."

(a) Does Cosmetique know the ratio of opened to unopened of parcels that lost their integrity? If so, please provide all available data.

(b) Do you have similar data or qualitative information from other BPRS mailers? If so, please provide all available data.

USPS/CSA-T1-18. Please explain fully your understanding of which service might be more highly valued by a customer: (a) a service that allows a customer to return \$25 worth of unwanted merchandise and avoid being charged \$25 for merchandise she did not keep; or, (b) a service that provides her with \$25 worth of merchandise that she did not specifically order and may or may not want to keep. Please include in your answer a quantification of the relative value of each to the customer.

USPS/CSA-T1-19. In Docket No. C99-4, you testified: "Cosmetique informed me that the Postal Service procedures in MRCs is to gather returns and mail them in one container on a frequency determined by the Postal Service. The Postal Service charges Cosmetique the Standard B rate for the entire container. For example, if a container holds 55 returns weighing 50 pounds, the BPRS fee would be \$96.25 (55 returns x \$1.75). The Postal Service charge for the 50 pounds from a MRC will not exceed \$34.49 (Standard B mail, zone 8)." Tr.1/36. Please explain why Cosmetique prefers to pay \$1.75 for a returned BPRS parcel weighing less than a pound when it can get returns through the MRC for a maximum of \$.69 per pound (\$34.49 / 50).

USPS/CSA-T1-20. At page 9 of your testimony you state that "the Postal Service has always returned the parcels if they were opened."

(a) Please define "always" as used here.

(b) You continue on page 9: "The current BPRS service only codified the Postal Service's pre-existing practice." Please confirm that before the change to which you refer which was codified as a result of Docket No. MC99-4, the Postal Service could unilaterally have changed its practice at any time.

(c) Please state your understanding of the whether the authorized procedure for a window clerk serving a customer with an opened BPRS parcel but no BPRS return label is to request payment of return postage.

USPS/CSA-T1-21. Refer to your testimony on page 8, line 26-27.

(a) Does Cosmetique provide customers with return labels. If not, why not?

- (b) Does Cosmetique enclose return instruction with its mailpieces? If not, why not?
- (c) What business practices has Cosmetique implemented since the "recent minor modification" to inform their customers of this new service?

USPS/CSA-T1-22. At what rate of postage would an undeliverable-as-addressed 12-ounce Standard Mail (A) flat whose mailer requested return service be returned? At what rate of postage would an undeliverable-as-addressed 12-ounce Standard Mail (A) flat-shaped piece whose mailers requested return and forwarding service be returned?

USPS/CSA-T1-23. Please refer to your discussion of factor 1 on page 7 of your testimony. Is it your position that an otherwise appropriate cost coverage should be mitigated in cases where the Postal Service's cost estimation techniques have been conservative, i.e., designed not to understate costs? If so, please provide any reference to past Commission Opinions in which this principle was applied or referred to.

USPS/CSA-T1-24. Please refer to your discussion of factor 4 on page 10, and confirm that the introduction of the BPRS fee represented a significant decrease in the rates and/or fees paid by continuity mailers for the return of their returned parcels. If you cannot confirm, please explain fully. If you do confirm, please provide the magnitude of that increase.

USPS/CSA-T1-25. Please refer to page 2, lines 12-20, of your testimony. Are box collection costs considered when a customer deposits the BPR piece in a collection box or leaves for carrier pick-up?

USPS/CSA-T1-26. At page 8, lines 3-4, of your testimony, you state that "one-half of BPRS recipients pick up their BPRS returns."

- (a) How many BPRS mailers pick up their returns?
- (b) What percentage of BPRS pieces are picked up?
- (c) Do the mailers make a special trip to pick up the BPRS pieces or are they normally picking up other mail and parcels as well?
- (d) Do the mailers who pick up their BPRS pieces receive them more quickly than those who wait for Postal Service delivery?
- (e) Are the mailers offered the option of either picking up returns or having them delivered?
- (f) Are the pieces picked up on a regular basis, or does the Postal Service accumulate the pieces, and notify the mailers when they are expected to pick up their BPRS pieces?
- (g) Please confirm that if the Postal Service establishes, for example, a schedule to deliver BPRS returns to a mailer twice a week, the mailer has the option of picking up its parcels on the other days to expedite their redelivery.

USPS/CSA-T1-27. Please confirm that the Merchandise Return Service per-piece fee is a fee paid in addition to the postage.

- (a) Please confirm that the BPRS per-piece fee is not a fee that is paid in addition to the postage, but covers the costs ordinarily covered by postage.

- (b) Please refer to page 2 of your testimony. Please confirm that the statement you quoted from USPS-T-26 at 41 was an explanation of why a parcel bearing a Merchandise Return Label does not incur any *additional* costs over the costs included in the postage.

USPS/CSA-T1-28.

- (a) Please confirm that if an unopened parcel with the endorsement "return service requested" is taken to the window, it will not be weighed and rated by the window clerk.
- (b) Please confirm that if a parcel with a Merchandise Return Service label is taken to the window, it will not be weighed and rated by the window clerk.
- (c) Please confirm that if a parcel with a BPRS return label is taken to the window, it will not be weighed and rated by the window clerk.
- (d) Please confirm, that in FY98, parcels described in (a) and (b) above could theoretically have been single-piece Standard Mail A pieces.

USPS/CSA-T1-29. Please refer to USPS-T-26, Attachment S, page 1.

- (a) Please confirm that the test-year wage rate for window clerks is \$29.67.
- (b) Please confirm that the test-year piggyback factor is 1.45.

USPS/CSA-T1-30. Please refer to LR-I-108, Input Sheet B-1.

- (a) Please confirm that witness Postal Service witness Davis estimates the transaction time at the window by multiplying the base transaction time by an overhead time factor.
- (b) Please refer to footnote 6 on that same page. Please confirm that a portion of the overhead factor is a waiting factor equal to 0.4277.

USPS/CSA-T1-31. Please refer to Docket No. R97-1, LR-H-167, page 55 (page 9 of the Transaction Time Study Training Manual).

- (a) Please confirm that the definition of the "acceptance" transaction is "the clerk takes stamped/metered mail from the customer and enters it in the mailstream. This mail is assumed to carry sufficient postage."
- (b) Please further confirm that under the definition of "acceptance," it states that if the window clerk verifies the postage or even picks up the mail piece to check the weight, the transaction activity is considered to be "weigh/rate," and not "acceptance."

USPS/CSA-T1-32. Please refer to Docket No. R97-1, LR-H-167, page 160, Table 3.1.

- (a) Please confirm that according to that document that the mean time of an "acceptance" transaction is 22.65 seconds.
- (b) Please confirm that with a wage rate of \$29.67, a piggyback factor of 1.45, and a waiting factor of 1.4277, the estimated cost of an "acceptance" transaction is approximately 38.6 cents ($\$29.67 * 1.45 * 22.65/3600 * 1.4277$).
- (c) Please confirm that if the cost of accepting a BPRS parcel at the window is 38.6 cents, and if hypothetically all BPRS parcels are accepted over the window as a

single-piece transaction, the estimated collection cost of 3.2 cents is underestimated by 35.4 cents.

USPS/CSA-T1-33. Do you have any mailer-specific origin-destination data for the one mailer who does not receive returns on a "national basis" whom you refer to at page 5 of your testimony. If the answer is yes, please provide any data you have.

USPS/CSA-T1-34.

- (a) Please confirm that a mailer located in Jacksonville Florida that received returns *only* from Greensboro, North Carolina, could be described as a mailer who did not receive returns on a "national basis."
- (b) Please confirm that a parcel originating in Greensboro, North Carolina, and designating in Jacksonville, Florida, is an inter-BMC parcel.
- (c) Please provide all data you have to support your assumption that the one mailer who does not receive returns on a national basis, receives zero inter-BMC parcels.

USPS/CSA-T1-35. Please refer to your Attachment A, Table 3, column 9. The sum of the percentages shown in column 9 total to 99, not 100. If this is due to rounding, please provide a table showing decimals.

USPS/CSA-T1-36. Please refer to page 6, of your testimony, lines 15 through 16. Please confirm that the "91.9 figure" refers to your assumption that 91.9 percent of BPRS volume is inter-BMC parcels. If confirmed, please explain why in lines 19 through 23, you make another adjustment for your "91.9" assumption.

USPS/CSA-T1-37. Please explain in detail and show all calculations of how you use your calculations in Attachment A to adjust BPRS transportation costs.

USPS/CSA-T1-38. Please describe the origin-destination specific information you have for BPRS mailers. Please explain the source of any data, and the methodology used to collect it.

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.

A handwritten signature in cursive script, appearing to read "Scott L. Reiter", is written above a solid horizontal line.

Scott L. Reiter

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June 9, 2000