

# DOCKET SECTION

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

RECEIVED  
Oct 6 4 39 PM '97  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-88-93)

The United States Postal Service hereby provides responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-88-93, filed on September 22, 1997.

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

*for*   
Michael T. Tidwell

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2998; Fax -5402  
October 6, 1997

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-88. Please refer to LR H-263, "Statement of Work for Qualitative Market Research – Prepaid Reply Mail Concept, In-depth Interviews with Businesses." An addendum states that "[a]t a minimum, Don DeLuca, and Mary Garvin will review all final reports before they are delivered."

- a. Please state the positions of Mr. DeLuca and Ms. Garvin and describe the functions of such positions.
- b. Did they review LR H-226 prior to its final delivery? Please describe.
- c. Please supply all documents relating to their review of LR H-226.

RESPONSE:

- (a) Both Mr. DeLuca and Ms. Garvin are Managing Directors. As Managing Directors, Mr. DeLuca and Ms. Garvin were responsible for overall project quality and direction.
- (b) Yes, both Mr. DeLuca and Ms. Garvin reviewed the draft and final reports.
- (c) There were no written comments related to the review of LR H-226. All communication was verbal.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-89. The next series of questions relate in part to LR H-264, "Transcripts of Qualitative Market Research – Prepaid Reply Mail Concept, In-depth Interviews with Businesses." Please refer to Transcript No. 1, p. 22, where the interviewer is quoted as stating: "So here we've got this, this one variation where it's implicit payment, it's virtually identical to your current BRM process, but it would be at a reduced rate."

- a. Does the Postal Service agree with the interviewer's characterization of implicit PRM? If not, please explain.
- b. Please refer to the response of witness Fronk to OCA/USPS-T32-58(b) which states in part: "Also, the report does not address QBRM at all. Please recognize that while my testimony proposes the same 30-cent postage rate for both products, QBRM is still Business Reply Mail with a per-piece fee and the involvement of Postal Service postage due units (see page 7 of my testimony)." Please reconcile witness Fronk's response with the interviewer's (apparent) characterization of implicit PRM as being virtually identical to current BRM.

RESPONSE:

- (a) The Postal Service agrees that implicit PRM, as discussed in the 10 business interviews conducted by Price Waterhouse, is similar to current BRM. This is because in both instances the Postal Service would perform the postage accounting and debit the mailer's advance deposit account for each day's postage due. "Virtually identical" is too strong a statement, as is indicated on page 2 of Appendix D of LR-H-226 (the Price Waterhouse summary report of the in-depth business interviews). For instance, implicit PRM, as discussed in the 10 business interviews, may have involved a "bulk destinating" minimum to facilitate processing; current BRM has no such minimum.
- (b) No reconciliation is necessary. The interviews did not include any discussion of the newly proposed rate category for Qualified Business Reply Mail. Also, see part (a) above.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-90. Please refer to Transcript No. 1, p. 23 where the interviewee states:  
"But you know, would we pass that on to the customers and tell them that? From my perspective, probably not."

- a. Confirm that as to this interviewee, any savings realized from a reduced PRM rate would "probably not" be passed on to customers. If not confirmed, please explain.
- b. Does the Postal Service have any evidence that any savings realized by PRM or QBRM mailers from a reduced PRM rate would be passed on to customers? If so, please explain.

RESPONSE:

- (a) The interviewee's comments speak for themselves.
- (b) Please see the response of witness Fronk to ABA/USPS-T25-4.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-91. Please refer to the response of witness Fronk to OCA/USPS-T32-64 where he states, in part: "Mailers may participate in PRM if they feel it meets their needs and if they meet Postal Service requirements for participation."

- a. Assuming that a mailer wishes to participate in PRM and meets all the Postal Service requirements for participation. Will the Postal Service be able to implement all PRM service requests immediately (or on short notice)? Or, is it possible that the Postal Service will limit participation at first while it is setting up and gaining experience with any new auditing systems that are necessary to effectuate PRM? Please discuss.
- b. If implementation will be delayed for some mailers, what criteria will be used to decide who gets to use PRM first?

RESPONSE:

(a)-(b) The Postal Service anticipates being able to respond to and implement all PRM service requests on short notice.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-92. Please refer to the response of witness Fronk to OCA/USPS-T32-90. In the second paragraph of that response, he states:

In addition, the interviews [which formed the basis of LR H-226] involved a description of PRM fundamentally different than what was ultimately proposed. For instance, the concept described in the interviews included both "implicit" and "explicit" variations of the product concept (based on whether the business would bill the customer explicitly for the cost of the PRM postage) and assumed in some instances that the Postal Service would perform the postage accounting function rather than the PRM recipient. In the proposal submitted in my testimony, the business rather than the Postal Service decides how to pay for the costs of PRM postage. Also, the PRM recipient performs the postage accounting function with verification by the Postal Service.

- a. Are there any other "fundamental differences" between the forms of PRM discussed in H-226 and what was ultimately proposed? Please discuss.
- b. Refer to the statement: "In the proposal submitted in my testimony, the business rather than the Postal Service decides how to pay for the costs of PRM postage." What evidence does the Postal Service have that businesses will choose an option whereby the customer is directly billed for the costs of postage?
- c. Referring to (b), what evidence does the Postal Service have as to how long it would take businesses to change their billing operations so that the customer is directly billed for the costs of postage?
- d. Please refer to the statement: "Also, the PRM recipient performs the postage accounting function with verification by the Postal Service." Confirm that this is the only material operational difference between PRM and QBRM. If not confirmed, please explain.

RESPONSE:

- (a) Witness Fronk identified the fundamental differences in the quoted portion of his response to OCA/USPS-T32-90 that appears in this question.
- (b) In its PRM proposal, the Postal Service is leaving the choice of how to fund PRM up to the participating organization, and does not know how many participating organizations may choose to bill their customers explicitly for postage. The Postal Service notes that it is not uncommon for organizations to recover specific charges through individual line items on a bill, for example, a county tax on a cable company bill, or dues for participation in a motor club on an oil company bill, or the cost of insurance on a bank card bill to meet the payment in the event of disability or unemployment.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE

RESPONSE to OCA/USPS-92 (continued)

In any event, it is appropriate for the business to determine in which manner the postage will be recovered considering its own unique needs, rather than for the Postal Service to impose a solution which may not be optimal in a particular environment.

(c) The Postal Service has not studied this issue. However, the Postal Service notes that PRM systems are likely to be high quality and relatively flexible. Also, please see *response to part (b) above*. *Some businesses may take longer than others given their unique needs*. Witness Fronk has recognized this implicitly through his relatively small test year forecast of usage. However, PRM is not a requirement imposed on customers. No customers are penalized through failing to take advantage of it immediately.

(d) Not confirmed. For instance, the fee structure would be different, the type of financial account used to debit the postage would be different, and the means the Postal Service uses to determine mailer compliance with its requirements would be different.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-93. Under the Postal Service's proposed PRM and QBRM, businesses will apparently have an option of directly billing customers for the postage. See Fronk response to OCA/USPS-T32-(a).

- a. Please evaluate the potential for confusion in the minds of customers in having to deal with two types of prepaid reply mail pieces, one for which they pay directly (e.g., as an additional line on their bill) and one where they pay nothing directly.
- b. In reference to (a), please comment on the response of the interviewee in Transcript No. 9, p. 13, H-263: "The second issue is if a customer disputes that we're going to have to pay for a toll-free telephone call, we're going to have to process an adjustment, we wouldn't argue it." What is the potential for customer confusion causing mailers to incur added costs and suffer customer ill-will?

RESPONSE:

- (a) The Postal Service thinks that customers will understand when they need to pay for the postage explicitly. For instance, most customers have been able to comprehend the "no postage necessary..." endorsement on business reply mail. Also, customers are presumed to understand that the total price they pay for a product or service generally includes all costs incurred by the product or service provider, whether identified as a line item on a statement of account or built into the price implicitly.
- (b) If the mailer chooses to bill the customer explicitly for the postage, there is always the chance of an error, as there is in billing any other type of charge. Correcting such errors does involve cost. It would appear likely that the potential customer goodwill to be gained by offering this product would offset any ill-will from occasional billing problems, assuming the participating mailer chooses to bill the customer directly for postage.



## 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.

*for*   
\_\_\_\_\_  
Michael T. Tidwell

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
October 6, 1997