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

POSTAL RATE AND FEE CHANGES, 2006	Docket No. R2006-1

RESPONSES OF GROWING FAMILY, INC. TO SECOND INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO GROWING FAMILY, INC. WITNESS PAUL (USPS/GF-T1-6-18) (October 18, 2006)

Growing Family, Inc., hereby provides the responses to the above-mentioned interrogatories of United States Postal Service to witness Paul, filed on September 19, 2006. Some of the requested data is not yet available and will be provided in a supplemental response as soon as possible.

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

Respectfully submitted,

GROWING FAMILY, INC.

/s/ David R. Straus
David R. Straus
Attorney for Growing Family, Inc.

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RESPONSES OF GROWING FAMILY, INC. TO SECOND INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO GROWING FAMILY, INC. WITNESS PAUL (USPS/GF-T1-6-18)

USPS/GF-T1-6. Please refer to page 1, lines 10-13 of your testimony. How much longer than the minimum time required by the Domestic Mail Manual does your company wait to submit a claim?

RESPONSE:

Postal regulations require mailers to wait a minimum of 45 days from the date of mailing. We typically submit claims about 90 days after mailing, because it often takes longer than the minimum 45 days for the Postal Service to return remittances or undeliverable or refused packages to us.

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USPS/GF-T1-7. Please refer to page 2, lines 4-6 of your testimony. Please provide the annual total package volume for your company, and the annual COD package volume for your company, for every year since 1995.

RESPONSE:

We are still working to locate and tabulate the data requested, some of which are rather old.

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USPS/GF-T1-8. Please refer to page 2, lines 6-9 of your testimony. What improvements has the Postal Service made that you presume may contribute to the decline in your claim rate?

RESPONSE:

We cannot be sure. We know only that, at the time that our testimony was submitted, there had been a decline in our claim rate, although I should point out that the most recent data show a reversal of that trend.

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USPS/GF-T1-9. Please refer to page 2, lines 21-23 of your testimony. Please provide any documentation Growing Family has of the referenced meetings. If you have no available documentation, please provide a description of the meetings.

RESPONSE:

Last year, as part of its administrative appeal of the new payment policy, Growing Family sought information about meeting with the Postal Service from those who may have participated in them. I am attaching the responses we received.

September 24, 2005

To: Bob Paul

From: Bob McGee

Subject: USPS/COD Claims Process

Bob,

I am hopeful that the information I share in this document will assist both Growing Family and the USPS in determining a rightful and win-win solution.

I believe it would be worthwhile to review the history behind the relationship between both parties. As you know my staff and I dedicated a great deal of time over several years building toward serving our customers (new moms) and not focusing on what was best for each of our companies. It required a significant commitment from both parties. The USPS was encouraged to operate within the spirit of the domestic mail manual and we had to become more innovative in the pursuit of excellent service.

It all really started in late 1882 when first foto merged with the Arnold group from California. The operation was consolidated in St. Charles and we suddenly changed from primarily daily delivery packages and mail on approval programs to a major addition of COD packages. There was a time when we were more than 70% COD. This was when I first joined the company and we had a number of challenges in front of us relative to quality, service, and process. In those days varying department leaders dealt with the postal service depending on there specific needs and priorities. Generally however, Al Bacher was our go to guy for postal issues. Larry

Kirchner, Shirley Swope, and Al were developing our new COD packaging and printing process. At that time Jerry Ghigletti was our plant mgr. and I was the new production mgr.

In March of 1984 Jerry left the company for a new position in Florida and I was offered the opportunity to manage the plant. That is when I immediately changed the plant 25 identify to Lab 25 as well as our affiliate labs. The 80's were filled with growth through merger and acquisitions. Our volume of packages going to the postal service was growing pretty rapidly. Somewhere in that timeframe it became obvious that the lab was now the heaviest user and had the most to gain with a coordinated effort and improved relationship with the USPS. I basically took up the charge on behalf of the company and began a series of meetings with the then Postmaster of St. Charles Vitalis Reed and his second in command who's name escapes me. Through these efforts we discovered the loss of service that we were incurring as a result of truck schedules, COD cancellation at the post office, and a less than effective method of auditing the overall process. The bottom-line is that customers were not being serviced properly and something needed to be done quickly.

Once we established the relationship with St. Charles and then having representatives from the downtown office calling on us and assisting in the overall effort things started moving in a positive direction.

After much more research and challenging all involved to step out of the box to come up with new and improved service and tracking methods, came the closed loop procedures of utilizing the airport as our distribution point and St. Charles agreed to place a postal clerk in our lab to audit and cancel our COD's. IT developed software to create a COD manifest that was

approved by USPS and signed off on everyday by the postal clerk at our location. We then sorted both our COD and prepaid packages into ADC (air distributing centers) with scan able barcodes that would be read at the airport and sent to the appropriate planes for destination airports around the country. In addition we were periodically audited by postal inspectors that included reviewing our process, software, cod manifest, and testing our package weights. Once the packages were finished for the day, the ADC tubs were sealed put in APMC's, rolled onto a dedicated truck and then sealed closed by our official postal clerk ready to be taken to the airport.

In conjunction with the outbound system, software was produced by IT that would track our return packages. As a part of this process, there was an aging schedule that would let us know if there are packages not delivered and not returned. Those packages are the one's we would file a claim on. I don't remember the exact timeframe, but I know it was more than adequate to cover any potential delays. It is worth noting that at the time we established the closed loop system with the airport, that we did not request a reduction in the COD fee although one was certainly justified. We were more committed to service to our moms. In that COD fee included insurance. Therefore when we filed a claim it was for the full value of the package. It is my recollection that the post office also had software that tracked the returns as well.

Through the 90's our package output continued to grow. I know our sales and marketing staff was working hard toward moving our package programs toward more prepaid orders. I know COD percentages were dropping. Without everyone's efforts from top to bottom the issues surrounding COD claims would be a much bigger and complex problem for our company and the postal service.

There are many more pieces to this huge undertaking particularly missing is the efforts that went into the inbound process that was developed. My staff members and I attended a number of National Postal Forums addressing these specific topics and many more. This was done at the local level at conferences in downtown St. Louis.

I am not good remembering all the names, but I do remember all of the events and hard work put in by both parties. I personally went to forums in Las Vegas, Nashville, Washington D. C. I sat down with divisional representatives discussing the future of COD with the post office. There was a time when the post office appeared to be working itself out of the COD business and customers felt that certain procedures were being enforced to discourage COD. The representatives I met with wouldn't deny any of these claims, but they felt it wasn't the direction the USPS was headed. This would have been during Carvin' Marvin's tenure as postmaster general. Sorry, I can't remember his last name?

Our position and commitment to our customers never changed. Nor did our commitment to following procedures properly with the postal service ever diminish. There was a time when we were recognized and a full campaign by the post office nominating our company as a candidate in the partners in progress award. While we didn't receive the actual award, we were acknowledged at the postal forum and the post office internal newsletter and were as the local St. Louis newspapers. People that work that hard to do the right thing doesn't spend their time looking for ways to take advantage of a critical vendor/partner.

I apologize that I don't remember all the player's names. At the local level I do remember Vitalis Reed postmaster St. Charles po. Don Tornitore St. Louis and regional rep. (He

played a big role in moving this thing forward in the early days) There was Charley, acct. rep.) And so many more. Once these procedures and processes were in place, staff really kept the wheels turning. Jean Bondy became our logistics mgr. and was our primary contact with USPS. She attended some of the forums with me to meet and understand how things worked. Accounting was always with us in this endeavor as well. Most of it was usually coordinated through my office, just because of the relationship development. I know that as a part of their objectives Paul M. and Dave P. got very involved with the postal service and as part of a committee organized to continue to make improvements and determine whether we were losing any claim refunds. Unfortunately, I suffered some health issues in late 1999 and wasn't there to oversee the process.

I can assure you that the company position never faltered on what we expected as payment on COD claims. It was always the full value of the package.

If you have any further questions, please don't hesitate to contact me.

Bob McGee

September 12, 2005

Growing Family / First Foto
Mr. Bob Paul
3613 Mueller Rd.
St. Charles, MO 63301

Dear Bob:

Per your request I have made some notes below that reflect my recollections from my tenure at Growing Family / First Foto (GF/FF) from the years of 1989 – 2001.

During my career at GF/FF, I had the opportunity to work closely with members of the United States Post Office (USPS) on several capacities. Some of those account representatives were Charley Suluka (not sure of the spelling), Carol Miller and Velma Robinson. As I recall the majority of our business at that time was C.O.D. and therefore we had an ongoing situation with returned C.O.D. packages.

Discussions regarding how to handle these packages were on the agenda of several meetings with Bob McGee, I and representatives of the USPS. In later years, Paul McGeehan would play an instrumental role in trying to resolve C.O. D. packages. Some of the people that I recall attending those meetings were Don Tornatore, Roger Nienaber and Willie Mixon. Given the volume of returned packages we had it was a bonus having the Claims Processing Center in downtown St. Louis.

What I do recall regarding compensation for these packages is as follows. The USPS would remit payment to GF / FF for the market value of the package – less the C.O.D. fee collected. Many ideas were discussed on how to modify this agreement, but to the best of my knowledge the agreement stood as I outlined above. Members of GF / FF's Accounting Department had the most active role in monitoring the process, and keeping up with which packages where unclaimed and warranted attention.

Please let me know if I can provide any clarity or additional information. Thank you.

Sincerely,

Jean Bondy

Bob,

Sorry for taking so long to get back to you, but I have been swamped at work.

Anyway, I have been trying to remember names and situations since you called yesterday, but I really can't do it justice to remember very well. (It has been over two years!)

The best I can recollect is that this all started when I was trying to understand the COD process in totality. I wasn't sure how the whole process worked, but I was certain that accounting was doing "something" wrong with the COD claims. That something wrong was the AR Mgr before me would have the clerks delete any old claims that were outstanding after a period of about 6 months.

Rose B. led me to Jean, who introduced me to the GF postal rep. A woman whose name I do not recall. Anyway, she gave me a tour of the post-office and then mapped how the COD process worked. At the end of this conversation, I started to inquire about claims specifically. We started with very general questions and I worked my way down until the rep figured out that I suspected that the USPS owed GF a lot of money. At that point, she pretty much ended the conversation. I was able to get her to agree to let us review our claims on file at the St. Charles Post-Office. (We "borrowed" their files to create the file we sent to the I.T. guy I mention below).

Next, we had to start dealing with this woman's boss, a gentleman who I do not recall by name. At this point, Dave P. was working with me on the project. Anyway, this gentleman led us to another contact downtown. Of course, I don't recall her name. But, we also met two other individuals during this meeting: One was an I.T. guy who agreed to research a number of the historical open claims that I was able to get my hands on. He was to research them and give us a "ballpark" number of claims open vs. closed, etc. The other individual was Willie Mixon. It was her dept that the claims were "supposed" to be resolved. She provided us no assistance.

Once we received the researched file back from this I.T. guy at the USPS, it had a percentage of claims that were still open. We then went back to downtown with this rep. and met the adjudicating team of the USPS. The adjudicating team also offered little in the way of assistance. I do recall, at one point, that they all but challenged us to go the Inspector General in Washington, D.C. Now, somewhere in my file should be Dave's letter offering a settlement and the USPS' agreement to such settlement for all old claims.

Throughout all this, it was either understood or implied that we were to receive full value for our CODs. I know I had also met an African-American gentleman and woman from the St. Charles Postal branch, but I do not remember if this was before, during or after all the other meetings. I do believe the adjudicating team once tried to imply that the USPS should only pay something less that full value, but we made two arguments against such: One, what would they do for a non-business customer in this situation and second, the USPS could literally start a new profit-center by never delivering our CODs and pocket the cash from mom and pay us the stipend for the claim.

I doubt this helps, but it is truly the best to my memory of what all happened.

Good Luck.

Paul

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USPS/GF-T1-10. Please refer to page 3, lines 3-4 of your testimony.

a. What was the basis provided for the referenced subpoena?
b. What was the outcome of the investigation by the Office of the Inspector General?
c. What information did Growing Family provide in response to the subpoena? Please provide copies of all documents provided by Growing Family.

RESPONSE:

a. There was no "basis" stated in the subpoena itself. At the time we received it, we had not been told why the manufacturing cost data were being sought. We had earlier received a request for information, and we provided some, explaining that if more was needed, we would cooperate and provide it. The next communication we received was the subpoena.

b. We assume that the outcome was that the Postal Service was able to come up with an estimate of Growing Family's direct costs of reproducing a second set of photos, and that estimate became the basis for the payment of future claims.

c. After receiving the subpoena, which sought an enormous amount of information, we discussed the matter with Special Agent McDougell and agreed to provide him detailed information about our production cost, with the understanding that he would examine that information and advise us if he needed anything else. He did not request more. The transmittal letter and the information provided to him are attached.

October 20, 2004

Mr. Mike McDougell
Special Agent
United States Postal Service

Mike,

Pursuant to our phone conversation earlier this month, I'm sending you the file containing our Cost of Goods Sold. During our phone conversation, you identified this as being the most important piece of information you needed, and agreed that we should supply this information now and await word from you on whether any additional information will be necessary. Please let me know if it is sufficient to complete your investigation.

We are concerned, however, about the outstanding subpoena. As I was not able to reach you live-time, I have asked our attorney to make a request for an extension in time for submitting the balance of the documents that you requested in your subpoena. This request will be communicated to the USPS Inspector General's Office through attorney Vivian Mittleman.

Please let me know if the Cost of Goods Sold Document meets your needs. We will cooperate fully, should you require more.

Best regards,

Bob Paul

3613 Mueller Road St. Charles Missouri 63301 P (800) 422-3686 F (636) 946-7148

Growing Family, Inc.
US Production Cost per COD Package

	August 2004 YTD	
Supplies (film, paper, etc.)		$ 4.43
Paper Expense	0.81	
Film Expense	0.23	
Chemicals Expense	0.06	
Package Materials	0.32	
Other Production Materials	0.20	
Hospital Supplies	1.32	
Keepsakes (shipped with package)	1.42	
Obsolete Materials	0.07	
Postage for Packages (incl. COD fee)		$ 7.76
(COD photo packages shipped to Mom)		
Labor Costs		$ 21.24
Operations Management Salaries	0.94	
Clerical Labor	2.77	
Direct Labor	2.40	
Overtime	0.11	
Contract/Temporary Labor	0.08	
Bonus	0.12	
FICA	0.47	
Allocated Benefits	1.38	
Misc Employee Benefits	0.00	
Photographer Labor	8.09	
Clerical Labor	1.13	
Overtime	0.06	
Contract/Temporary Labor	0.06	
Bonus	0.01	
FICA	0.73	
Unemployment Tax	0.22	
Allocated Benefits	0.45	
Misc Employee Benefits	0.02	
Lodging	0.08	
Meals/Entertainment	0.05	
Mileage, Parking, Tolls	0.33	
Auto Rental	0.02	
Airfare	0.09	
Money Order Fees	0.02	
Auto Repairs & Maintenance	0.02	
Telephone	0.16	
Auto Leases/Allowances	0.14	
Taxes & Licenses	0.01	
Administrative Postage/Delivery	0.04	
Administrative Expedited Mail	0.01	

Office Supplies	0.05	
Meeting Expenses	0.01	
Advertising and Marketing Exp	0.04	
AV/ID Equipment & Supplies	0.03	
Recruiting	0.16	
Consultant/Professional Fees	0.92	
Hospital Commission (paid based on packages)		$ 7.00
(sample Hospital Contract show $7.80 per package shipped)		
Repair, Customer Service Cost, etc.		$ 3.39
Partner Marketing Fulfillment Expenses		
Lodging	0.01	
Inventory Change - Scrapped Material	0.02	
Inventory Change - Receipt without Order	(0.02)	
Gain/Loss Price Variances	0.01	
Machinery & Equipment Repairs & Mai	0.04	
Allocated Mach & Equipment Repairs	0.39	
NonCapitalized Equipment	0.01	
Telephone	0.38	
Alloc Telephone	0.05	
Electricity	0.12	
Building Lease	0.36	
Machinery & Equipment Rent	0.01	
Auto Leases/Allowances	0.03	
Taxes & Licenses	0.17	
Outbnd Supplies Postage	0.46	
Inbound Mail Postage	0.58	
Inbound Hospital Equipment	0.12	
Outbound Hospital Equipment	0.26	
Administrative Postage/Delivery	0.07	
Administrative Expedited Mail	0.08	
Freight	0.03	
Office Supplies	0.03	
Advertising and Marketing Exp	0.12	
Recruiting	0.06	
Depreciation of Lab Equipment		4.56
Per Package		$ 48.37

NOTE: The above excludes Corporate Overhead.

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USPS/GF-T1 -11. Please refer to page 5, lines 5-8 of your testimony.

a. When was the referenced "newly-announced" policy announced?
b. Please provide all documentation which details the announcement.

RESPONSE:

a. In retrospect, perhaps the word "announced" was imprecise, in the sense that this policy was never formally announced. Rather, we learned for the first time that it is the Postal Service's policy not make good on a personal check it lost when its witness Berkeley so stated in this case.

b. There are no documents that we know of, other than witness Berkeley's interrogatory responses and the transcript of her cross-examination, all of which are in the Postal Service's possession.

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USPS/GF-T1-12. Please refer to page 5, lines 9-14 of your testimony.

a. If you assume that the Postal Service's "policy" has been in effect for a number of years, why should Growing Family be reimbursed at an amount that is in conflict with that policy, regardless of whether or not the clarification of that policy was not made until later?

b. If Growing Family was overpaid in claims amounts because the Postal Service had not clarified the "policy," should Growing Family reimburse the Postal Service for claims overpayments?

RESPONSE:

a. It is difficult to understand and answer this question. If I assume, contrary to my belief, that the policy of reimbursing Growing Family in an amount less than we believe we are entitled to and less than the amount of indemnity for which we pay had been in effect prior to the time when it was actually implemented, or "clarified" as you prefer, Growing Family should not have been reimbursed for more than the effective policy would provide. However, had that policy been in effect prior to when it was actually implemented, Growing Family should not have had to pay COD fees based on an amount of indemnity that the Postal Service did not offer, as explained in my testimony at page 6, lines 5-9. If you are asking whether the "clarified" policy should or could have been applied retroactively, that is a legal question that was addressed in our appeal—Exhibit RP-3.

b. Growing Family was not "overpaid" in the past. It is being underpaid now. If through administrative error in the past the Postal Service overpaid on a claim, then of course Growing Family should pay back the excessive amount. In the past, Growing Family was reimbursed at the amount to be collected, which was the value of the packages on which the claim was made and the value that formed the basis for our COD fee. Prior to the 2005 change in the Postal Service's practice, we believe that Growing Family received exactly the same treatment as all other COD customers when its claims were paid – whether large commercial customers or walk-up customers at post offices around the country. Not until the Postal Service "clarified" the new policy did the mismatch between the fee and the reimbursement arise.

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USPS/GF-T1 -13. Please refer to page 7, lines 13-16 of your testimony.

a. Do you agree that the Postal Service will reimburse Growing Family if there is a record that the check is collected by the Postal Service, yet the Postal Service fails to mail the check? If you do not agree, please explain fully.
b. When Growing Family receives a personal check directly from a customer and either misplaces or loses the check, does Growing Family contact the customer to ask for a replacement? If not, why not?
c. What does Growing Family do when it receives the customer's personal check from the Postal Service, but the check bounces?

RESPONSE:

a. No, I do not. Unless witness Berkeley was mistaken, she said very clearly that the Postal Service would not reimburse Growing Family in these circumstances and that we would be on our own to collect payment from the recipient. See my testimony at page 15. Specifically, see witness Berkeley's response to GF/USPS-15 Tr. 4474-75, where she states that the Postal Service would require the mailer to contact the recipient to obtain a substitute payment, that the Postal Service "assumes" that the recipient will issue a substitute check and that, if the mailer is unable to obtain a substitute payment, the Postal Service will not pay the claim. The same unequivocal "no" answer was given in response to GF/USPS-T39-33(c), where Growing Family asked whether, if the mailer "is unable to obtain a replacement check for any reason, such as the recipient cannot be located, simply refuses or claims that she did not receive the package, the Postal Service will replace the missing payment." See also Tr. 4589-90.

b. When Growing Family receives a personal check directly from a customer and either misplaces or loses the check, Growing Family generally sends one letter to the customer to ask for a replacement. While this doesn't happen very often and even though we don't keep detailed statistics, it is our belief that about 80% to 90% of these letters are ignored by the recipient and that about 10% to 20% of our customers who originally paid by check are willing to send a replacement check if we lost the original check. Some of those will deduct from their second check the cost of a stop payment order.

c. All checks received by Growing Family (whether the proceeds of a COD transaction, an order mailed to Growing Family, or an order placed with a Growing Family employee in a hospital) are deposited in the Company's main bank account. Any deposited checks that "bounce" are transmitted directly to an electronic re-presentment contractor engaged by Growing Family. If the

check was returned due to insufficient funds, this contractor makes regular phone contacts with the issuers' banks to determine when there may be funds in the account sufficient to allow the check to clear. When the contractor has word or believes that there is a sufficient balance in the account, the contractor electronically re-presents the check to the issuing bank. In addition to presenting the check for payment of the face amount, the contractor presents to the issuer's account a charge of $25.00 to cover the costs of the re-presentment service, as permitted by law.

If, after four months the contractor was not able to successfully collect the item, the contractor sends a series of letters to the customer requesting payment and informing the customer that if payment is not made the account will be forwarded to a collection agency.

Overall the re-presentment contractor is able to collect approximately 40% of the face value of the checks sent to them for presentment and collection

After about six months from the date a check bounces due to insufficient funds, the account is sent to a collection agency. Checks returned for other reasons (account closed, checks reported stolen, etc.) are researched internally to determine whether the amount is actually owed (package shipped to the customer and not returned) and are sent directly to a collection agency for dunning. The collection agency's success rate in collecting these accounts is generally less than 2%.

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USPS/GF-T1-14. Prior to the [sic] May 2005, you testify that Growing Family was paid at the amount to be collected, in the case of loss. Putting aside postage and fees, please assume that a lost package had a reproduction cost of $7.29 and an amount to be collected of $70.

a. Prior to May 2005, would you agree that, in the event of this example of a lost package, assuming both payment from the Postal Service and the customer (after subsequent reshipment), Growing Family would be paid $140, while paying $14.58 for total reproduction cost of two copies of the package? If you do not agree, please explain fully.
b. Not including claims payouts as described in subpart a, how often is Growing Family paid for two separate sets of the same photographs?

RESPONSE:

a. Your question just about answers itself. I agree that if Growing Family were paid twice, it would be paid twice, so that it would receive a total of $140. I do not agree, however, that $14.58 would represent its "total reproduction cost," since there would be only one <u>re</u>production. The first set of prints was <u>produced</u>, not <u>reproduced</u>, and the cost of producing those prints included not only the cost of making the prints themselves but also fees to the hospital, payment to the photographer, sales expense, overhead and all other costs that go into our pricing. I also must say that the assumption you asked me to make about getting paid twice is unrealistic, since our experience is that after the several months it takes for us to learn that a package has been lost, the chances of making a sale are slim. In fact, we do not even try, because the cost of soliciting a purchase are high, and the success rate is very low.

   In addition, I do not see how this differs from the postal insurance situation. Let's say that we produce and sell fancy picture frames and mail them to customers who had paid for them, but with a policy that if the customer is unsatisfied, she may return the frame for a full refund. And let's assume that we insure the frames with the Postal Service for their retail price of $50. If the frame is lost or destroyed by the Postal Service before delivery, I assume that we would be reimbursed for the $50. If the customer were still interested in purchasing a frame, we would send another one. In this situation, we would have incurred two production costs and received a total of $100, just as, in your hypothetical, we would have incurred two production costs and received $140. The only difference is that this result is far more likely to occur in the case of the frame than in the case of photos that soon become dated and that have not already been paid for.

I should also add that, even though you have pointed to a hypothetical situation that does not exist, the Postal Service's present payment policy, or rather practice, of paying only reproduction cost irrespective of the reason for the claim and irrespective of the level of indemnity for which we pay produces actual, not hypothetical, losses for Growing Family.

I'd also like to address your hypothetical's assumption that the package was "lost." In our view, very, very few if any of our packages are actually lost, and this makes a big difference in the likelihood that the hypothetical double payment will occur. The word "lost" can be used loosely to mean a variety of conditions, some of which are temporary.

But I believe that the use of "lost" in this context, while a convenient euphemism, is misleading.

The packages we mail are substantial in length, width, thickness and weight. When a COD package is not returned to Growing Family, and Growing Family does not receive the customer remittance, it is pretty clear to us that this USPS failure is not because the package fell or was blown by the wind out of a mail truck, not because rain dissolved the package or washed both the delivery address and the return address off of the label, not because the package fell into a crack, and not because it simply disappeared.

These are newborn baby photos and clearly labeled as such. The packaging therefore does not mislead people into thinking that the contents are of commercial or intrinsic value, such that someone would take the risk of stealing them.

Rather, we believe that when both the package and the remittance are not returned to Growing Family, it is likely to be due to any one of the following reasons:

1. The package was delivered to the addressee without payment, and
    a. the addressee now contends that she did not get the package or simply refuses to return it or pay for it, or
    b. the addressee opened the package and either took one or more sheets as a keepsake or left all the photos in the envelope, and returned the package to the carrier. (If the package was left overnight, the addressee may have scanned it into a computer and returned the

envelope full of photos.) Now the carrier is in a tough situation, since the package was obviously opened and therefore cannot be returned to Growing Family as "undeliverable" or "refused." The carrier may see himself as having no alternative other than to claim that the package was lost.

2. The package was delivered to the addressee, payment was made, and the payment was either lost by the carrier, or lost or misdirected by the Postal Service.

Clearly, in situations in which the packages are not truly and literally "lost" but are delivered without payment or the payment is thereafter lost or misdirected by the Postal Service, there will be no subsequent reshipment as the question assumes.

b. If I understand the question, other than the situation in part a, Growing Family would get paid for two separate sets of the same photographs only when a customer re-orders a second set, which happens less than 2% of the time.

RESPONSES OF GROWING FAMILY, INC. TO SECOND INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO GROWING FAMILY, INC. WITNESS PAUL (USPS/GF-T1-6-18)

USPS/GF-T1-15. With respect to Growing Family's COD packages mailed with the Postal Service:

a. What were the average amounts to be collected for COD purchased in 2005, 2004 and 2003?
b. For what percent of total COD mailings were claims filed in 2005, 2004 and 2003?
c. Of the claims filed, what percent were determined to be payable in 2005, 2004, and 2003?
d. Of the claims filed, what percent were reimbursed at the amount to be collected in 2005, 2004 and 2003?
e. Of the claims filed, what percentage were (1) for loss; (2) for damage; and (3) for no remittance in 2005, 2004 and 2003?

RESPONSE:

a. – d. We are still trying to collect this data. It will be provided as soon as possible.

e. We do not file claims when returned packages are damaged. When we receive neither the package nor the remittance, we have no way of knowing whether the reason for the claim is loss or no remittance, although as I said in my testimony and in response to question 14, it is hard to believe that a significant number of our packages are actually "lost."

RESPONSES OF GROWING FAMILY, INC. TO SECOND INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO GROWING FAMILY, INC. WITNESS PAUL (USPS/GF-T1-6-18)

USPS/GF-T1 -16. Please refer to page 15, lines 12-13 of your testimony. If Growing Family was paid directly and misplaced the payment, or if the payment was accidentally destroyed, wouldn't Growing Family approach the customer for a reissue of payment? If not, why not?

RESPONSE:

In some cases we would incur the time and expense to do so, even though we would expect the return to be less than we would like. Many of our customers are difficult to get in touch with (new baby in the house...). Since in this situation they already have the photos, when they find out why we are calling, they are even more difficult to get in touch with. Even the customers who comply with this reasonable request to send another check will usually expect to place a "stop payment" order with their bank, and they will expect to deduct that cost from their second check. When you add up the time involved to call the customers, and the postage and paper to send dunning letters, it's a very marginal proposition – the revenues from the collection activity are mostly absorbed by the cost of doing it. Sending letters to people or calling them on the phone to ask for money is not something we have figured out how to do in a profitable way.

The difference between this situation, of course, and the situation in which the Postal Service loses the payment, is that in the latter case, we have paid the Postal Service a fee to ensure that the payment is not lost but is delivered to us. As I said in the portion of the testimony you cite, this fact means that the burden should be on the Postal Service, not Growing Family. See also the response to USPS/GF-T1-13.

RESPONSES OF GROWING FAMILY, INC. TO SECOND INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO GROWING FAMILY, INC. WITNESS PAUL (USPS/GF-T1-6-18)

USPS/GF-T1-17. Please refer to page 16, lines 10-12 of your testimony. Are you stating that for 3 to 4 percent of the COD packages you never receive reimbursement of any kind – either from the Postal Service or the addressee?

RESPONSE:

No. I am stating that in 3-4 percent of the cases, we submit a claim, because the Postal Service did not return the package and did not forward any funds from the recipient. About half of our claims are resolved by the Postal Service returning the package to us more than 90 days after the date of mailing, thus in about 2% of COD shipments result in an indemnity payment.

RESPONSES OF GROWING FAMILY, INC. TO SECOND INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO GROWING FAMILY, INC. WITNESS PAUL (USPS/GF-T1-6-18)

USPS/GF-T1 -18. Please refer to page 17, lines 1-2 of your testimony.

a. How has the reduction of claims payments affected the number of your new customers?
b. How has the reduction of claims payments impacted your repeat customers?

RESPONSE:

a. The reduction of claims payments, as far as I know, has not affected the number of new customers, and I never claimed that it did. I said that the reduced payments affected Growing Family's business, because it reduced our revenues in a difficult market. Surely, a business can be affected by more than a loss of customers. I imagine that the increase in gasoline costs during much of this year affected the Postal Service's business even if it did not reduce the number of postal customers or the amount of mail.

b. The reduction of claims payments, as far as I know, has not affected the number of repeat customers, and I never claimed that it did. I said that the reduced payments affected Growing Family's business, because it reduced our revenues in a difficult market. Surely, a business can be affected by more than a loss of customers. I imagine that the increase in gasoline costs during much of this year affected the Postal Service's business even if it did not reduce the number of postal customers or the amount of mail.