

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

COMPLAINT OF GAMEFLY, INC.            )  
  )  
  )           Docket No. C2009-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO DISCOVERY REQUESTS OF GAMEFLY, INC.  
(GFL/USPS-68, 70, AND 73)  
(October 16, 2009)

Pursuant to Rules 26 and 27 of the Commission's Rules of Practice and Procedure, the United States Postal Service hereby provides its responses to the following discovery requests of GameFly, Inc.: GFL/USPS-68, 70, and 73.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:  
Daniel J. Foucheaux, Jr.  
Chief Counsel, Pricing and Product  
Support

Elizabeth A. Reed  
Keith E. Weidner

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-6252, Fax -6187

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
DISCOVERY REQUEST OF GAMEFLY, INC.

**GFL/USPS-68.** Please refer to Paragraph 81 of the parties' July 20, 2009, Joint Statement of Undisputed and Disputed Facts. Paragraph 81 contains the following contention by the Postal Service:

[M]ail processing decisions concerning the automated or manual handling of Netflix DVD return mail are made locally based on determinations as to what makes the best sense in the local mail processing environment, and processing decisions to remove Netflix mail from automated operations ensure the overall efficiency of mail processing operations, based on the characteristics of Netflix mail (such as the density of its volume).

Please refer further to R2006-1, USPS-T-42 (Marc McCrery, then Manager, Operational Requirements) at 3, which states:

Letter processing operations are geared towards barcoding and/or sorting as much letter volume through automated operations as possible, with the ultimate goal of processing letters into Delivery Point Sequence (DPS) or, to a lesser extent, to the carrier route level.

- (a) Are all mail processing decisions concerning the automated or manual handling of machinable letter volumes made locally? Please explain fully.
- (b) Please provide all Headquarters, Area, and District policies on when machinable letter volumes should be handled manually or on automation.
- (c) Please reconcile Headquarters general policy on how machinable letters should be processed with Headquarters policy on the processing of Netflix inbound letters.

**RESPONSE:**

a-b. There is no specific Headquarters policy that has been articulated. Field officials are generally expected to handle letters that are machinable under the standards of the DMM, in accordance with the fact that they are machinable. However, local personnel have the discretion to employ different processing methods when the need arises with respect to particular types of mail and different mail flows.

c. Nothing requires reconciliation. Local discretion is accounted for in both instances.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
DISCOVERY REQUEST OF GAMEFLY, INC.

**GFL/USPS-70.** Please refer to the Postal Service's answers to discovery request GFL/USPS-23(b)-(d). The responses state:

“(b) There is no official Headquarters policy directing the field to process return DVD mail in manual or automated processing. As such, there are no documents “establishing” that policy.

(c) Postal Service Headquarters has been aware since at least 2003 that inbound DVD mailers for Netflix were being processed manually.

(d) No steps have been taken with respect to return DVD mail, because no official policy exists. Headquarters has instead allowed field officials to determine the most efficient method (automated versus manual) for handling these pieces. “

(a) Since 2003, has the Postal Service been aware of the existence of any entity other than Netflix whose return mailers have been entered as machinable letters but given manual processing at an above-average rate?

(b) For each entity listed in response to subpart (a) of this interrogatory, please explain what the Postal Service has done to reduce or limit the percentage of machinable letters that are processed manually.

(c) Please confirm that your response to GFL/USPS-23(d) can be fairly restated as:

(d) No steps have been taken with respect to return DVD mail, because the official policy of Headquarters is to allow field officials to determine which method (automated versus manual) to use for handling these pieces.

If you fail to confirm without qualification, please identify which element of the restatement you contend is inaccurate, and explain why.

(d) Please identify the individual(s) at Postal Service headquarters responsible for the decision to leave the choice between manual and automated processing of Netflix's inbound DVD mail to the discretion of field officials.

(e) Please produce all documents relating to the deliberations of Postal Service headquarters that culminated in the decision to leave the choice between manual and automated processing of Netflix's inbound DVD mail to the discretion of field officials.

(f) Has the Postal Service headquarters ever considered adopting standards or rules that would limit the discretion of field officials to provide large amounts of manual processing to Netflix inbound DVD mailers? If so, please produce all documents, including both internal USPS communications and communications with Netflix, created since January 1, 2005, concerning this subject.

**RESPONSE:**

a. The Postal Service is aware of other entities whose return mailers have been entered as machinable letters but given manual processing. The Postal Service has not studied the extent to which other return mailers receive manual processing, except as

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
DISCOVERY REQUEST OF GAMEFLY, INC.

provided in the Christensen study, but is aware that such processing exists. The OIG report stated that other return mailers were also culled from the collection mail stream, but did not provide quantifiable percentages.

b. Blockbuster is one such mailer. The Postal Service assisted Blockbuster in its decision to shift to QBRM processing, which should have led to less manual processing. See the response to GFL/USPS-19.

c. Not confirmed, in that the Postal Service would not use the term “official policy” because no formal policy has been articulated to the field.

d. This was a collective decision made over a number of years by Operations management, in consultation with other functional groups in the Postal Service.

e. All responsive documents that have been located have already been provided.

f. Yes, the Postal Service has considered limiting field discretion in this regard. See the draft SOP provided in response to GFL/USPS-159, and the document numbered GFL0001481.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
DISCOVERY REQUEST OF GAMEFLY, INC.

**GFL/USPS-73.** Please refer to Paragraph 81 of the parties' July 20, 2009, Joint Statement of Undisputed and Disputed Facts. Paragraph 81 contains the following contention by the Postal Service:

[M]ail processing decisions concerning the automated or manual handling of Netflix DVD return mail are made locally based on determinations as to what makes the best sense in the local mail processing environment, and processing decisions to remove Netflix mail from automated operations ensure the overall efficiency of mail processing operations, based on the characteristics of Netflix mail (such as the density of its volume).

(a) Please identify all circumstances in which you contend that removing "Netflix mail from automation operations ensure[s] the overall efficiency of mail processing operations."

(b) Please produce all studies, analyses and similar documents that you contend support your response to part (a).

(c) Please explain how allowing "mail processing decisions concerning the automated or manual handling of Netflix DVD return mail" to be "made locally" in fact "ensure[s] the overall efficiency of mail processing operations".

(d) Please produce all studies, analyses and similar documents that you contend support your response to part (c).

**RESPONSE:**

- a. Local plant managers often determine that it is more efficient to cull the identifiable pieces in an earlier non-distribution operation. This is easily performed due to factors such as high piece visibility, high volume density, and low volume variability.
- b. This response is not predicated on any studies.
- c. Allowing the exercise of local discretion ensures that the decision is made by a local official who is better aware of local conditions, including the prevalence of Netflix pieces and the mix of letters being processed in that plant.
- d. This response is not predicated on any studies.