

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

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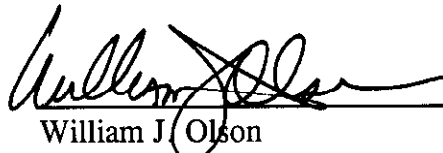
POSTAL RATE AND FEE CHANGES, 2000)

POSTAL RATE COMMISSION
OF
Docket No. R2000-1

VAL-PAK DIRECT MARKETING SYSTEMS, INC.,
VAL-PAK DEALERS' ASSOCIATION, INC., AND
CAROL WRIGHT PROMOTIONS, INC.
FIRST INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO POSTAL SERVICE WITNESS JOHN D. MOELLER (VP-CW/USPS-T35-1-8)
(February 18, 2000)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Val-Pak Direct Marketing Systems, Inc., Val-Pak Dealers' Association, Inc. and Carol Wright Promotions, Inc., hereby submit interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate Postal Service witness.

Respectfully submitted,



William J. Olson

John S. Miles

WILLIAM J. OLSON, P.C.

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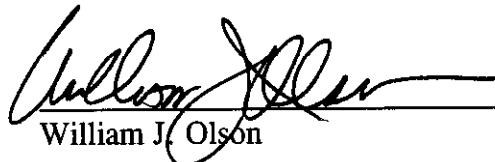
(703) 356-5070

Counsel for:

Val-Pak Direct Marketing Systems, Inc.,
Val-Pak Dealers' Association, Inc., and
Carol Wright Promotions, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served by the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



William J. Olson

February 18, 2000

VP-CW/USPS-T35-1.

Please refer to USPS-LR-I-166, WP 1, page 10.

- a. In what part of your testimony do you use the costs shown in lines 5-6 for letters, and where do you use the alternative costs shown in lines 32-33?
- b. Where do you use the unit cost shown for Basic Automation flats in line 10, and where do you use the unit cost for Basic Automation flats shown in line 37?
- c. Why is the mail processing unit cost for Basic Automation flats in line 37 higher than the mail processing unit cost shown in line 10?

VP-CW/USPS-T35-2.

At page 18 (lines 5-8) your testimony states:

In Docket No. MC95-1, the Postal Service proposed and the Commission recommended the creation of the Enhanced Carrier Route subclass so that the distinct cost and market characteristics of mail within this subclass could be more fully recognized.

- a. Were the proposed rates for ECR mail in this case designed so that the distinct cost and market characteristics of ECR mail could be more fully realized? If so, please explain how that was done.
- b. Please indicate the rates or rate levels that in your view would constitute full recognition of the distinct cost and market characteristics of ECR mail to which you refer in your testimony quoted above.
- c. At current rates, how far away is ECR mail from achieving full recognition of the distinct cost and market characteristics of ECR mail?

- d. If your proposed rates for ECR mail were to be adopted, how far away would ECR mail be from achieving full recognition of the distinct cost and market characteristics of ECR mail?
- e. Comparing your proposed rates for ECR mail with current rates, how much closer do your proposed rates get to achieving full recognition of the distinct cost and market characteristics of ECR mail compared with current rates?

VP-CW/USPS-T35-3.

Please refer to your testimony at the top of page 21 (table).

- b. Please confirm that the piece-rated data include both letters and piece-rated flats.
If you do not confirm, please explain what the piece-rated data represent.
- c. For all piece-rated ECR non-letters, what is the unit revenue, unit cost and implicit coverage, respectively, both before and after rates?
- d. For all ECR non-letters combined (*i.e.*, both piece and pound-rated), what is the unit revenue, unit cost and implicit coverage, respectively, both before and after rates?
- e. For all piece-rated ECR letters, what is the unit revenue, unit cost and implicit coverage, respectively, both before and after rates?
- f. The unit cost in your table for pound-rated matter using costs with a 3.0 and 3.5 ounce dividing line is, respectively, \$0.0901 and \$0.0916. What is the estimated cost per pound that was used to determine these different unit costs?

Should your answer be to the effect that no explicit unit costs estimate was used to derive these figures, please explain fully.

VP-CW/USPS-T35-4.

Did you or the Postal Service develop the unit cost estimates that underlie any of the individual cells for your proposed rates for Standard A Mail shown on pages 17 and 28 of your testimony? If so, please provide such estimates, and indicate where these unit cost estimates can be found.

VP-CW/USPS-T35-5.

Please refer to USPS-LR-I-166, WP 1, page 20.

- a. Please confirm that after the parameters and data shown in lines 1-13 have been specified, the rate design formula shown on this page will determine (i) the rate for piece-rated flats, and (ii) the piece rate for pound-rated pieces. Please explain any non-confirmation.
- b. Would you agree that it is the inputs to the formula on page 20 that determine the design of rates for individual rate cells, and not the formula shown on lines 14-18? If you do not agree, please explain.

VP-CW/USPS-T35-6.

Your testimony at page 4 (lines 17-18) states that “in consideration of the effect on users (criterion 4), the rate design employs an upper bound on the amount by which an individual rate cell is proposed to increase.”

- a. Please confirm that your reference to “criterion 4” is to 39 U.S.C. section 3622(b)(4).
- b. When designing rates for the two subclasses of Standard A Commercial Mail, did you consider or rely on any of the other non-cost criteria contained in section 3622(b) of the statute? If so, please state which criteria you relied upon, which rate cells were affected by your reliance on each of those other criteria, and how your overall rate design was affected by reliance on those other criteria. If not, please explain why you relied upon only one non-cost criterion and did not consider or apply any of the other non-cost criteria.
- c. When designing the rates for Standard A Mail, did you consider criterion 4 to be more important than all the other non-cost criteria?
- d. In your opinion, should the Postal Service and the Commission apply the non-cost criteria of section 3622(b) to the rate design within individual subclasses?

VP-CW/USPS-T35-7.

Please confirm that in this docket the Postal Service proposes the following percentage increases for ECR letters and piece-rated non-letters (without any destination entry discounts — *see* PRC Order No. 1279, Attachment B, p. 17).

| | Letters | Non-Letters |
|--------------|---------|-------------|
| High Density | 9.4% | 2.0% |
| Saturation | 10.0% | 5.7% |

If you do not confirm, please explain.

- a. The Postal Service press release which accompanied the filing, in explaining why business rates are increasing, states that:

In general, rate increases for each subclass reflect overall cost trends for that subclass. As a result of the letter automation program, increases for letter-shaped items, particularly First-Class Mail, are generally smaller.... At the same time, costs have increased more rapidly for flat-shaped items, such as Periodicals, Standard Mail catalogs and Bound Printer Matter.... The proposal calls for larger-than-average increases for those categories.

In light of the cost trends asserted in the Postal Service press release, please explain why your rate design reflects rate increases for ECR letters that substantially exceed the rate increases proposed for ECR non-letters.

- b. For High-Density and Saturation ECR letters and non-letters, what is the estimated unit cost in the Base Year?
- c. What was the estimated unit cost for the above-mentioned items in the Base Year of Docket No. R97-1?

VP-CW/USPS-T35-8.

Your testimony at page 24 (lines 7-9) states that “The surcharge only applies if the sample is not letter- or flat-shaped, or is prepared as a parcel.”

- a. In FY 1999, how many flat-shaped pieces were prepared as parcels under current rates?
- b. What incentive(s) do mailers have to prepare flat-shaped pieces as parcels under current rates?
- c. What incentive(s) would mailers have to prepare flat-shaped pieces as parcels under your proposed rates?