

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

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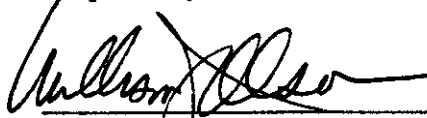
POSTAL RATE AND FEE CHANGES, 2000)

POSTAL RATE COMMISSION
Docket No. R2000-4

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 SHARON DANIEL (VP-CW/USPS-T28-1-15)
(February 23, 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,



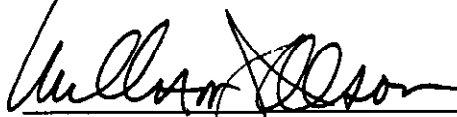
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Counsel for:

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 23, 2000

VP-CW/USPS-T28-1.

Please refer to your testimony at page 5, lines 13-24, where you describe your analysis of mail processing cost segment 3.1.

- a. Did you conduct any weight-related analysis for any individual MODS cost pools, or for any subsets of MODS cost pools within segment 3.1? If so, please provide and explain the results of those analyses.
- b. Do you have any *a priori* theories or expectations about how weight would affect the various MODS cost pools, such as platform and acceptance? If so, please state how you would expect weight to affect the cost of various operations within cost segment 3.1.
- c. For any individual MODS operations, such as platform work, did you conduct any inter-class analyses that compared the effect of weight on cost? For instance, did you attempt to analyze and compare the effect of weight on platform cost for First-Class Mail, Periodicals, and Standard A Mail? If so, please provide all such studies. If not, please explain why you did not attempt any such comparative analyses.

VP-CW/USPS-T28-2.

Based on your analysis of the effect of weight on cost, what are the principal MODS cost pools, or activities that are most affected by weight? If your answer varies by class or subclass of mail, please so indicate and explain, to the extent that you are able, why this is so.

VP-CW/USPS-T28-3.

Please refer to Table 1 at page 11 of your testimony.

- a. Do the data in the first three rows reflect volume, pounds and cubic feet for the Test Year? If not, what time period do they represent?
- b. Please provide specific citations to the page(s) and table(s) in USPS-LR-I-91 which support each entry in the first three rows of Table 1.
- c. For the various points plotted in the diagram at the bottom of page 11, did you compute a regression line similar to that which you computed for Tables 4a and 4b?
- d. If so, please provide the intercept and slope.
- e. If not, please provide a detailed explanation of why you did not do so.

VP/USPS-T28-4.

At page 10 of your testimony (lines 24-26), you state that “[t]he total costs for pieces in excess of the first ounce cost are divided these [sic] by ‘postage ounces,’ i.e., the total number of additional ounces purchased.” The footnote explains that postage ounces differ from actual ounces because weight is rounded up to the next ounce in calculating rates.

- a. To the extent that weight causes an increase in cost, is it actual weight or “postage” weight that causes the increase in cost? Please explain the cost driver and the causal relationship as you perceive it.

- b. For the data in Table 1, did you compute the incremental cost divided by the incremental number of *actual* ounces? If so, please provide this datum. If not, why not?

VP-CW/USPS-T28-5.

At page 13 (lines 16-17), your testimony states that “there are 7.337 billion pieces weighing more than one ounce in First-Class Mail Single-Piece in the TY....”

- a. What is the source of the 7.337 billion pieces referred to here?
- b. Please reconcile the 7.337 billion pieces referred to here with the data shown in row 1 of Table 1. That is, total volume of 53.214 billion less 45.917 pieces that weigh between 0-1 ounce leaves 7.297 billion pieces weighing more than one ounce.

VP-CW/USPS-T28-6.

Your Table 1 shows that the total volume of Single-Piece First-Class Mail as 45.917 billion pieces.

- a. What is the total cost of these 45.917 billion pieces?
- b. The cost of pieces in excess of one ounce (\$2,236,175,478) represents what percent of that total cost?

VP-CW/USPS-T28-7.

Footnote 5 on page 12 states that “[t]he estimated unit cost of a Single-Piece flat weighing less than one ounce is 94 cents.” On page 13 (lines 2-3), you state that “lightweight flats appear to be consistently more costly to handle than the average weight flat....”

- a. For your estimated cost of a one-ounce flat (94 cents), did you compute or develop any statistical measure of the reliability of that estimate, such as standard deviation, coefficient of variation, etc.? If so, please provide each such measure, and provide the range at the 95 percent confidence level. If not, please explain why not and state how much credibility and weight can be given to your estimated cost by the Commission.
- b. How many direct IOCS tallies did you have for First-Class flats weighing less than one ounce? In what MODS cost pools or operations were those tallies observed?
- c. Can lightweight (under one ounce) flats be sorted on the FSM 1000?
- d. Are lightweight (under one ounce) First-Class flats systematically segregated from other heavier flats and sent to manual processing?
- e. Aside from IOCS tally data described in your testimony, can you offer any explanation for the high cost of flats weighing less than one ounce compared to heavier-weight flats?

VP-CW/USPS-T28-8.

At page 13 (lines 17-18), you state that “there are only 1.649 billion pieces weighing more than one ounce in First-Class Mail Presort in the TY.”

- a. What is the source of the 1.649 billion pieces referred to here?
- b. Please reconcile this number with the data shown in the first row of Table 2 on page 14. That is, total volume of 47.012 billion less 45.353 billion pieces weighing between 0-1 ounce leaves 1.659 billion pieces weighing more than one ounce.

VP-CW/USPS-T28-9.

Please refer to Table 2 at page 14 of your testimony.

- a. Do the data in the first three rows reflect volume, pounds and cubic feet for the Test Year? If not, what time period do they represent?
- b. Please provide specific citations to the page(s) and table(s) in USPS-LR-I-91 which support each entry in the first three rows of Table 2.
- c. For the points plotted in the diagram at the bottom of the page, did you compute a regression line similar to that which you computed for Tables 4a and 4b?
- d. If so, please provide the intercept and slope.
- e. If not, please explain why not.

VP-CW/USPS-T28-10.

For First-Class Presort, did you compute the actual number of incremental pounds (and ounces) from the data in Table 2?

- a. If so, please provide that datum, along with the incremental cost per actual ounce.
- b. If not, why not?

VP-CW/USPS-T28-11.

Your Table 2 shows that the total volume of Presort First-Class Mail amounted to 45.353 billion pieces weighing between 0 to 1 ounce.

- a. What is the total cost of these 45.353 billion pieces?
- b. The incremental cost of pieces in excess of one ounce (\$388,874,405) represents what percent of that total cost?

VP-CW/USPS-T28-12.

At page 15 (lines 9-10), you state that “the overall pattern for Presort parcels appears to be similar to that of Single-Piece parcels.”

- a. To what “pattern” are you referring? To the distribution by weight shown in the bottom row of Figures 1 and 2? Otherwise, please provide a specific citation and also explain what you mean by “overall.”
- b. Footnote 8 at page 12 states that “[t]he estimated unit cost of a Single-Piece parcel weighing less than one ounce is \$1.89.” Is this also the case for Presort

parcels, and is this part of the “overall pattern” to which you refer? If not, please explain.

VP-CW/USPS-T28-13.

At page 13 (lines 18-20), you state that “The First-Class Mail Presort data therefore do not appear as stable as the First-Class Single-Piece data in the heavier ounce increments.” Did you compute any statistical measures of reliability (such as standard deviation or coefficient of variation) for the cost estimates at each weight increment? If so, please provide such measures. If not, please explain why not and state how much credibility and weight can be given to your cost estimates by the Commission.

VP-CW/USPS-T28-14.

Please refer to Figures 1, 2 and 3 at pages 12, 15 and 16, respectively. For each figure, please provide specific references to where the data can be found in USPS-LR-I-102 that support each entry in your Figures 1, 2 and 3.

VP-CW/USPS-T28-15.

- a. When estimating the weight-cost relationship for First-Class Mail, why did you use TY estimated volumes and costs, rather than actual volumes and costs in Base Year 1998?

- b. Does the use of estimated volumes and costs, rather than actual volumes and costs, increase the uncertainty and unreliability of the weight-cost relationships that you finally develop?
- c. Please explain why estimated TY data are better than actual data for the purpose of developing the weight-cost relationship.