

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

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POSTAL RATE AND FEE CHANGES, 2000)

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Docket No. R2000-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

VAL-PAK DIRECT MARKETING SYSTEMS, INC.,
VAL-PAK DEALERS' ASSOCIATION, INC., AND
CAROL WRIGHT PROMOTIONS, INC.
SECOND INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO UNITED STATES POSTAL SERVICE
WITNESS JOSEPH D. MOELLER (VP-CW/USPS-T35-9-18)
(March 8, 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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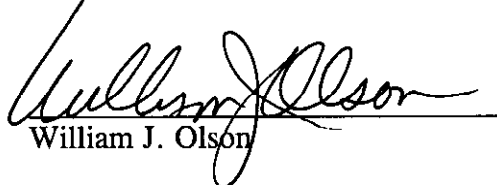
Val-Pak Direct Marketing Systems, Inc.,

Val-Pak Dealers' Association, Inc., and

Carol Wright Promotions, Inc.

CERTIFICATE OF SERVICE

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



William J. Olson

March 8, 2000

VP-CW/USPS-T35-9.

- a. Did you utilize the principles of Ramsey pricing in any way when designing Standard A rates? Please explain your answer, regardless of whether it is affirmative or negative.
- b. Do these principles have any relevance to rate design within the Standard A subclasses? Please explain your answer, regardless of whether it is affirmative or negative.

VP-CW/USPS-T35-10.

- a. Please explain your familiarity with and understanding of the concept of efficient component pricing.
- b. In your opinion, is efficient component pricing an important principle for design of rates in the Standard A subclass?
- c. Suppose the average rate increase for one subclass is substantially higher than the rate of inflation, while the average rate increase for a second subclass is substantially less than the rate of inflation. Is efficient component pricing a more important principle for rate design in either of the two subclasses? For each case, please explain why or why not.
- d. When determining the various passthroughs that you recommend within the Standard A subclass, what effort did you make, if any, to incorporate the principle of efficient component pricing?

VP-CW/USPS-T35-11.

For cost savings that arise from dropshipment of Standard A ECR Mail, you recommend passthroughs varying between 73 and 77.5 percent in this case.

- a. Do these passthroughs represent the “optimal” passthrough for Standard A ECR Mail, or are they constrained in this case by other considerations? If the latter, please describe all other considerations that you consider significant.
- b. Under what conditions would you consider a 100 percent passthrough for dropship discounts to be appropriate?
- c. Under what conditions would you consider a passthrough of more than 100 percent (*e.g.*, including a markup) for dropship discounts to be appropriate?
- d. Was consideration given to retaining the current passthrough of 85 percent (*see* Docket No. R97-1, *Op. & Rec. Dec.*, para 5501)? If so, why was this option rejected? If not, why not?

VP-CW/USPS-T35-12.

Transportation costs represent a significant portion of the costs avoided by dropshipment to destinating facilities. In Priority Mail rate design, transportation cost differences reflect cost plus contingency plus markup (*see* USPS-T-34). Your cost differences are between 73 and 77.5 percent of identified cost savings. Which principle of rate design is correct? That is, is it most desirable to reflect transportation cost differences in rate design at (i) less than 100 percent, (ii) 100 percent, or (iii) somewhat more than 100 percent (*e.g.*, the

full cost difference times the subclass coverage factor)? Regardless of your answer, please explain all rate design principles upon which you rely to support your position.

VP-CW/USPS-T35-13.

- a. At page 5 (l. 18) of your testimony, you state that the Postal Service has a “desire to moderate rate increases for individual categories.” Please explain (i) the basis or reason why individual categories should have their rate increases moderated, and (ii) whether such moderation is inconsistent with having rates that reflect costs.
- b. Assume that the Standard A Regular or ECR Subclass as a whole has an average rate increase of X percent. What is the maximum increase in any given rate cell, stated as a multiple of X, that you consider to be desirable? Please explain the basis for your answer.

VP-CW/USPS-T35-14.

Does the Postal Service have any delivery standards (or service standards or goals, commitments, etc., by whatever name they are called), other than those identified in Attachment G of the Postal Service’s request (in response to Rule 54(n)) for delivery of (i) Standard A ECR Mail and (ii) Standard A Regular Mail?

VP-CW/USPS-T35-15.

Please provide all data in the possession or control of the Postal Service that show actual performance in the delivery of (i) Standard A ECR Mail and (ii) Standard A Regular Mail since reclassification in Docket No. MC95-1.

VP-CW/USPS-T35-16.

For (i) Standard A ECR Mail and (ii) Standard A Regular Mail, what performance measurement system does the Postal Service plan to have implemented by the end of the Test Year, and what performance data do the Postal Service plan to have available by the end of the Test Year?

VP-CW/USPS-T35-17.

Since the Postal Reorganization Act became effective, please identify (i) each occasion when the Postal Service attempted to develop a performance measurement system for third-class or Standard A Mail, (ii) any results obtained from each such performance measurement system, and (iii) the elapsed time from the beginning of implementation until discontinuance.

VP-CW/USPS-T35-18.

Has the Postal Service ever attempted to develop an external performance measurement system for monitoring the service given to third-class mail or Standard A Mail? Please explain fully any affirmative answer.