

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

POSTAL RATE AND FEE CHANGES, 2000)

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

VAL-PAK DIRECT MARKETING SYSTEMS, INC.,
VAL-PAK DEALERS' ASSOCIATION, INC., AND
CAROL WRIGHT PROMOTIONS, INC.
THIRD INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS JOSEPH D. MOELLER (VP-CW/USPS-T35-19-25)
(March 15, 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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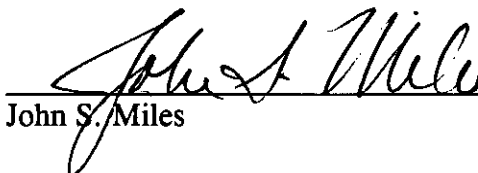
Val-Pak Direct Marketing Systems, Inc.,

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.



John S. Miles

March 15, 2000

VP-CW/USPS-T35-19.

Please refer to your response to VP-CW/USPS-T35-6(b), where you state “Not all of [the criteria] are relevant at the rate design level.” Your response further indicates that you consider Fairness and Equity (criterion 1), the Effect of Rate Increases (criterion 4), Degree of Preparation (criterion 6), and Simplicity (criterion 8) to be relevant at the rate design level.

- a. When you use the phrase “rate design level,” do you mean “below the subclass level”? If not, what do you mean by that phrase?
- b. For each of the following criteria, which you did not explicitly mention in your response, please indicate which ones you consider to be not relevant at the rate design level, and explain why each is not relevant:
 1. Value of Service (criterion 2).
 2. Cost; *i.e.*, rates at least equal to attributable cost (criterion 3).
 3. Available alternatives (criterion 5).
 4. ECSI (criterion 8).

VP-CW/USPS-T35-20.

Please refer to your response to VP-CW/USPS-T35-6(b), where you state “The criteria ... do embody **fundamental principles**, for rate design as well.” (Emphasis added.)

- a. In addition to those criteria which you mention in your response as embodying fundamental principles, please: (i) list all other fundamental principles which you relied upon when designing rates for Standard A Mail, (ii) explain what

makes each of them a fundamental principle, and (iii) discuss how each such principle is applied in your rate design for Standard A Mail.

- b. Please list all other “secondary” or “non-fundamental” principles or considerations which you used when designing rates for Standard A Mail (*e.g.*, maximize profits, charge what the traffic will bear, etc.) and explain how each was applied.
- c. Please explain all principles of rate design, as well as all other factors, that led you to propose a 9.4 percent rate increase for Saturation ECR letters while proposing a rate decrease for pound-rated flats in excess of six ounces.

VP-CW/USPS-T35-21

- a. Please confirm that in this docket the Postal Service proposes the following percentage increases for ECR letter rates (without any destination entry discounts): Basic — 8.0 percent; Automation — 4.5 percent; High Density — 9.4 percent; and Saturation — 10.0 percent. If you do not confirm, please provide the correct percentages.
- b. Please refer to your answer to VP-CW/USPS-T35-2(a), where you state “The proposed rates flow directly from the cost measurement and the cost coverage.” To what extent do the proposed rate increases identified in part a above, reflect the costs increases incurred by each of these respective rate categories since Docket No. R97-1? Please explain your answer fully.

- c. If such proposed rate increases reflect cost increases incurred by the above respective rate categories, how were such costs identified, since costs for High-Density and Saturation ECR letters have not been calculated in Base Year terms? (*See your answer to VP-CW/USPS-T35-7(b)-(c).*)
- d. If such respective rate increases do not reflect costs increases incurred by the above respective rate categories, then (i) why do Automation letters receive a below-average rate increase, while Basic, High-Density and Saturation letters receive a rate increase which is substantially above the subclass average, and (ii) why is the requested rate increase for Saturation letters more than double the subclass average?
- e. Please refer to your answer to VP-CW/USPS-T35-6(b). Did giving Automation letters a below-average rate increase have “a push-up effect” on the rates of Basic, High Density, and Saturation letters? If so, why are the proposed rates for Automation letters appropriate? Please explain your answer fully.

VP-CW/USPS-T35-22.

Please refer to your answer to VP-CW/USPS-T35-6(b).

- a. Please confirm that you consider fairness and equity to be relevant at the “rate design” level.
- b. Please explain whether the fairness and equity criterion applies uniformly to all rate categories within a subclass or only to selected categories, and, if only to selected categories, explain how such categories are selected.

- c. Witness Mayes states at page 39 (ll. 15-16) of her testimony that application of many of the non-cost criteria at 39 U.S.C. sec. 3622(b) “would indicate a cost coverage even lower than that actually proposed.” However, she expresses her belief that the rate level proposed for ECR satisfies the fairness and equity criterion, citing “the modest average ECR rate increase of 4.9 percent” (l. 18) and the need to maintain rate relationships across subclasses.
- (i) Although the need to maintain rate relationships across subclasses does not apply to rate design within a subclass, do you feel that rate relationships across rate categories within a subclass should be maintained? Please explain why or why not.
- (ii) Given the applicability of the other considerations mentioned with respect to each Standard A ECR rate category, please explain why a double-digit rate increase for Saturation letters is fair and equitable.
- d. In your rate design for ECR letters, how did you assess the fairness and equity of the respective rates for each rate category (*i.e.*, Basic, Automation, High Density, and Saturation)? Please explain in full, and state whether you examined the unit contribution from each rate category?
- e. Did you consider the fairness and equity of the ECR letter rates in comparison to the ECR nonletter rates? If so, how did you (and to what detail did you) analyze the fairness of rate differences between letters and nonletters? If not, why not? In responding, please explain whether you examined and compared

(i) coverages, (ii) markups, and/or (iii) unit contributions from letters and nonletters.

VP-CW/USPS-T35-23.

Please refer to your response to VP-CW/USPS-T35-6(b), where you state “Fairness and equity, therefore, would argue for some limitation on how much some cells are increased in order to avoid even larger increases for other cells.”

- a. Did you apply such a limitation in your rate design for Standard A ECR?
- b. If so, (i) what was the limitation applied, (ii) where was it applied, and (iii) how was it calculated?
- c. If not, why not?

VP-CW/USPS-T35-24.

Please refer to your response to VP-CW/USPS-T35-6(c), where you state “The effect of rate increases, however, did play an important role in the rate design.” Please explain fully what role the effect of rate increases for Standard A ECR Basic, High-Density, and Saturation letters, respectively, played in your rate design.

VP-CW/USPS-T35-25.

Are there reasons why rates within a subclass should be set so that the more highly workshared mailpiece should be required to provide a higher per-piece contribution? Please

explain your answer fully, including the role such considerations played in your rate design for Standard A ECR.