

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

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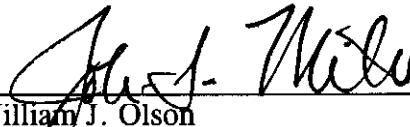
POSTAL RATE AND FEE CHANGES, 2000 )

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

DISTRICT PHOTO, INC.  
MYSTIC COLOR LAB  
COX SAMPLING  
FIRST INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS CHARLES L. CRUM (DMC/USPS-T27-1-7)  
(March 20, 2000)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, District Photo, Inc., Mystic Color Lab and Cox Sampling 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

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Counsel for:

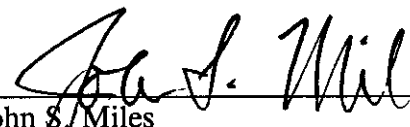
District Photo, Inc.

Mystic Color Lab

Cox Sampling

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 20, 2000

**DMC/USPS-T27-1.**

Please refer to Exhibit F, Table 3. Under the column "Sum over Shapes," you show total weight equal to 10,348,752,000 pounds, and cubic feet equal to 506,070,000.

- a. Please confirm that the average density implied by your data is equal to 20.45 pounds/cubic foot. If you do not confirm, please explain.
- b. The 1998 CRA, at page 3, indicates that the weight per cubic foot of Total Standard A Mail is 17.7 pounds. Please reconcile the density computed from your data with the density provided in the CRA.
- c. The billing determinants, Table G-6, page 5, show total weight of Standard A letters in FY 1998 equal to 2,234,989,634 pounds. Your Table 3 shows total weight of letters in FY 1998 equal to 2,309,766,000 pounds. Please reconcile the two, and indicate the source of data for your Table 3.
- d. The billing determinants, Table G-6, page 5, show total volume of Standard A letters in GFY 1998 equal to 44,738,715,475. Your Table 3 shows total volume of letters in FY 1998 equal to 45,174,555,000. Please reconcile the two different figures for the volume of Standard A letters in GFY 1998, and indicate the source for this datum in your Table 3.

**DMC/USPS-T27-2.**

Your Exhibit F, Table 3, shows that in FY 1998 IPPs and parcels had total weight of 475,067,000 pounds and total cubic feet of 58,506,000. Please confirm that your data imply an average density of 8.12 pounds/cubic foot for IPPs and parcels.

**DMC/USPS-T27-3.**

Your Exhibit F, Table 3, shows that in FY 1998 flats had a total weight of 7,563,919,000 pounds and total cubic feet of 366,291,000. Please confirm that your data imply an average density of 20.65 pounds/cubic foot for flats.

**DMC/USPS-T27-4.**

Your Exhibit F, Table 3, shows that in FY 1998 letters had a total weight of 2,309,766,000 pounds and total cubic feet of 81,273,000. Please confirm that your data imply an average density of 28.42 pounds/cubic foot for letters.

**DMC/USPS-T27-5.**

- a. If the density of letters and flats, respectively, is 28.42 and 20.65 pounds/cubic foot, would you consider these two densities to be relatively similar?
- b. If the density of flats and IPPs/parcels, respectively, is 20.65 and 8.12 pounds/cubic foot, would you consider these two densities to be relatively similar?
- c. If the density of letters and IPPs/parcels, respectively, is 28.42 and 8.12 pounds/cubic foot, would you consider these two densities to be relatively similar?

**DMC/USPS-T27-6.**

Please refer to your testimony at pages 1-7 and confirm that when computing destination entry cost savings for Standard A Mail, you average letters, flats, IPPs and parcels together, treat them as homogeneous for purposes of all your computations, and develop one set of DBMC, DSCF and DDU cost avoidances that you regard as applicable to letters, flats, IPPs, and parcels. Please explain any answer that is not an unqualified affirmative.

- a. Please discuss whether your computation of cost avoidances represents a “top-down” exercise in cost analysis and rate development.
- b. For purposes of this question, please assume that when mail is entered at destinating DDUs, the Postal Service avoids (or saves) the costs which you have computed. Now consider the mail that is not entered so deep in the postal network.
  - (i) Would you agree that mail which is entered upstream will cause the Postal Service to incur costs that, on average, will be equal to your savings estimates?
  - (ii) That is, will Standard A Mail entered at a DSCF cost the Postal Service an additional \$0.0233 per pound (\$0.1329 - \$0.1096)?
  - (iii) And will Standard A Mail entered at a DBMC cost the Postal Service an additional \$0.0367 per pound (\$0.1329 - \$0.0962)?
  - (iv) In other words, would you agree that costs avoided (in a top-down approach) would be equal to costs incurred (in a bottom-up approach)?

If you do not agree, please provide a detailed explanation why costs avoided are not equal to costs incurred.

- c. (i) If you were to “de-average” your computation of destination entry cost avoidances, and compute the avoidances separately (using actual density where that is the cost driver) for (i) letters and flats, and (ii) IPPs and parcels, which estimated avoidances would be higher and which would be lower?
- (ii) If you have performed any such computation, please provide the results.

**DMC/USPS-T27-7.**

- a. Please refer to your testimony at pages 7-12 and confirm that when computing Standard A Mail nonletter cost differences for purposes of developing a parcel surcharge, you “unbundle” letters, flats, IPPs, and parcels and treat them as non-homogeneous. If not, please explain fully.
- b. Would you agree that the methodology which you use to develop the cost of IPPs and parcels is, or is tantamount to, a bottom-up approach to cost analysis and rate development? Explain fully any disagreement.
- c. For purposes of this question, please assume that on average the Postal Service incurs the (bottom-up) costs which you have estimated for Standard A IPPs and parcels. Would you agree that if (or when) some of those IPPs and parcels are entered deep into the postal network, the Postal Service avoids, on average, the costs which you estimate it incurs when they are entered upstream? Unless you

agree fully, please provide a detailed explanation of why costs incurred in your (bottom-up) approach to cost development in Exhibit F, Table 3, differ from costs avoided in a top-down approach to cost analysis.