

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

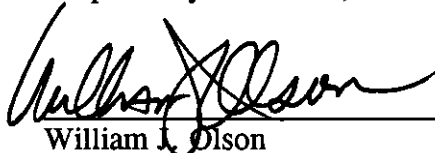
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POSTAL RATE COMMISSION  
DOCKET NO. R2000-1  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000 )

DISTRICT PHOTO, INC.  
MYSTIC COLOR LAB  
COX SAMPLING  
SECOND INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS CHARLES L. CRUM (DMC/USPS-T27-8-12)  
(March 22, 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

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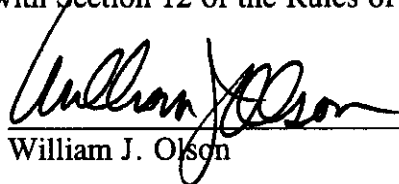
District Photo, Inc.

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.



William J. Olson

March 22, 2000

**DMC/USPS-T27-8.**

In the following table, BY 1996 Costs were taken from USPS-T-28, Docket No. R97-1 (revised 10/1/97), Exhibit K, Table 3; BY 1998 Costs were taken from your response to PSA/USPS-T27-3.

	BY 1996 Costs	BY 1998 Costs	Percentage Increase
Standard A Regular parcels	\$0.513	\$0.768	49.7%
Standard A ECR parcels	\$0.455	\$0.746	64.0%
Standard A Nonprofit parcels	\$0.659	\$0.984	49.3%
Standard A Nonprofit ECR parcels	\$1.382	\$2.262	63.7%

- a. Please confirm the data in this table, or supply correct figures.
- b. Do you believe that these disproportionately high unit cost increases have resulted from: (i) sharp decreases in productivity, as has occurred with flats; (ii) random variations in the number of tallies in the IOCS; (iii) changes in the mail mix (*i.e.*, relatively more high cost pieces and relatively fewer low-cost pieces; or (iv) maybe something else. Please explain if these factors are different for each category of parcels?
- c. Did parcel processing become more mechanized between 1996 and 1998? If so, please detail how, and describe the impact that such mechanization would have on parcel cost incurrence.

- d. Did any changes occur in the processes for identification of costs incurred by shape between 1996-98?

**DMC/USPS-T27-9.**

Please provide data for FY 97 and FY 99 as presented in Attachment F.

**DMC/USPS-T27-10.**

In the last docket, the Commission found merit in Dr. Haldi's alternative proposals that the shape costs be based on average transportation cost or, alternatively, that destination entry discounts be deaveraged by shape, because "the base rate should be consistent with the discount subtracted from it." *Op. & Rec. Dec.*, Docket No. R97-1, para. 5483. In light of the Commission's finding:

- a. Did you or the Postal Service calculate destination entry discounts based on shape? If so, please provide such calculations and explain why you decided not to employ such a methodology in this case. If not, why did the Postal Service opt to ignore the Commission's analysis?
- b. Did you or the Postal Service calculate presortation discounts based on shape? If so, please provide such calculations and explain why you decided not to employ such a methodology in this case. If not, why not?

**DMC/USPS-T27-11.**

- a. Please confirm the following figures, derived from USPS-T-28 (revised 10/1/97), Docket No. R97-1, Exhibit K, and USPS-T-27, Attachment F, Table 3. If you do not confirm, please provide the correct data.

Standard A Parcels	FY 96 Mail Processing Costs	FY 98 Mail Processing Costs	FY 96 Delivery Costs	FY 98 Delivery Costs
Regular	\$0.2901	\$0.4937	\$0.1261	\$0.1818
ECR	\$0.1462	\$0.3413	\$0.2843	\$0.4470
Nonprofit	\$0.3705	\$0.7004	\$0.2229	\$0.1895
NP ECR	\$0.3672	\$2.0193	\$0.9942	\$0.1876

- b. Please explain why mail processing costs have increased by over 70 percent for non-ECR parcels, and more than doubled for ECR parcels.
- c. Please explain why Nonprofit ECR parcels' mail processing costs increased by a factor of 5.5 between 1996 and 1998, while delivery costs for the same parcels decreased by a factor of 5.3.
- d. Please explain why ECR parcel delivery costs are more than twice as high as delivery costs for parcels in the other three subclasses? Is there any difference in how Commercial ECR parcels are delivered?
- e. Do you have confidence in the reliability of these cost data? Please explain your answer in light of the cost variances documented above.

**DMC/USPS-T27-12.**

Please refer to your testimony at page 8 (ll. 8-13), where you state that “In Docket No. R97-1, the Postal Service proposed explicit econometric-based volume variability factors as part of their mail processing cost presentation. That was not done in this docket for effectively all of the parcel operations and some portion of the flats operations. The impact of this change is to expand the cost difference between flats and parcels beyond its level under the Docket No. R97-1 volume variability proposal.”

- a. Why did the Postal Service not propose explicit econometric-based volume variability factors as part of their parcel mail processing cost presentation?
- b. Did the Postal Service desire to expand the cost difference between flats and parcels beyond its level under the Docket No. R97-1 volume variability proposal?