

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

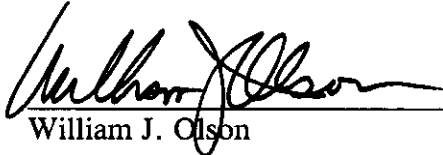
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POSTAL RATE COMMISSION  
DIVISION OF THE SECRETARY  
Docket No. R2000-1

POSTAL RATE AND FEE CHANGES, 2000 )

DISTRICT PHOTO, INC.  
MYSTIC COLOR LAB  
COX SAMPLING  
FIRST INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS JOSEPH D. MOELLER (DMC/USPS-T35-1-6)  
(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,



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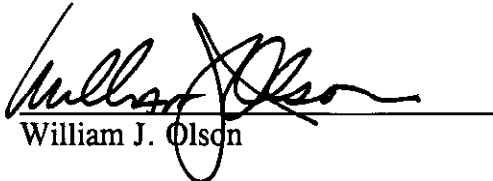
District Photo, Inc.

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-T35-1.**

Please refer to your response to VP-CW/USPS-T35-6, where you state that “[s]implicity is also considered in rate design when deciding whether to complicate the rate structure with additional rate categories.”

- a. When simplicity is considered in the context of rate design, is sophistication of mailers using the subclass given consideration?
- b. If so, how would the Postal Service assess, for example, Standard A Regular and ECR mailers’ ability to handle a more complex rate structure for the residual shape surcharge where destination entered pieces pay a lower rate?
- c. If so, how would the Postal Service assess, for example, Standard A Regular and ECR mailers’ ability to handle a more complex rate structure vis-a-vis, say, Periodicals mailers?

**DMC/USPS-T35-2.**

- a. Please confirm the following data and calculations in the table below. If you do not confirm, please provide correct data.

Standard A Regular rate category	Current nonletter piece rate	Current piece rate w/surcharge	Proposed nonletter piece rate	Proposed piece rate w/surcharge	Percentage increase w/surcharge
Basic	\$0.304	\$0.404	\$0.311	\$0.491	21.5%
Basic DBMC	\$0.288	\$0.388	\$0.294	\$0.474	22.2%
Basic DSCF	\$0.283	\$0.383	\$0.289	\$0.469	22.5%
3/5 Digit	\$0.240	\$0.340	\$0.258	\$0.438	28.8%

3/5 Digit DBMC	\$0.224	\$0.324	\$0.241	\$0.421	29.9%
3/5 Digit DSCF	\$0.219	\$0.319	\$0.236	\$0.416	30.4%

Note: "Surcharge" refers to residual shape surcharge

- b. In your response to NAA/USPS-T35-11, you state that an upper bound of 14 percent was generally set on non-destination entry Standard A rate increases. Did you consider parcel rates when applying this upper bound? If so, why do 3/5 digit parcels face a rate increase more than twice that percentage? If not, why not?
- c. The 3/5 digit DSCF nonletter below the breakpoint rate proposed by the Postal Service is \$0.236. The proposed residual shape surcharge is \$0.180.
- (i) Is it true that the Postal Service's proposed Standard A parcel rates (with the residual shape surcharge) reflect, *inter alia*, higher transportation costs incurred by parcels, but the destination entry discounts available to these parcels are based on (transportation and other) costs avoided by letters and flats? Please explain any negative response.
- (ii) Assuming that parcel mailers would incur transportation costs in much the same basis as the Postal Service (*i.e.*, with cube as a cost driver), does the Postal Service's proposed Standard A parcel rate structure provide an appropriate incentive to the dropshipment of parcels? Please explain your answer.

- d. If the Postal Service's residual shape surcharge results in fewer Standard A parcels being dropshipped, is it true that the costs reported as incurred by Standard A parcels would increase, which logically would result in a request for a larger residual shape surcharge in the next rate case? Please explain your answer.

**DMC/USPS-T35-3.**

Was any consideration given to establishing distinct flat and parcel rate categories in Standard A? Please explain your answer.

**DMC/USPS-T35-4.**

In Docket R97-1, 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. The Commission further called on the Postal Service "to study this issue before the next rate case, as the base rate should be consistent with the discount subtracted from it." *Op. & Rec. Dec.*, Docket No. R97-1, para. 5483.

- a. Was any such study performed? If so, please provide a copy of the study. If not, why not?
- b. Is any such study planned? If not, why not?
- c. What consideration was given to developing destination entry discounts for parcels which reflect the costs avoided by such parcels?

**DMC/USPS-T35-5.**

Did you look at the projected decrease in total (*i.e.*, all four subclasses combined) Standard A parcel volume (from 983 million in 1996 to 905 million in 1998) when setting rates? If so, what impact did this (pre-residual shape surcharge) decrease in volume have on your rate design? If not, why not?

**DMC/USPS-T35-6.**

- a. Please confirm that in Docket No. R97-1, you estimated that Test Year After Rates (1998) Standard A parcel volume would reach 1.2 billion pieces.  
Response to PSA/USPS-T36-8 (Tr. 6/2886).
- b. How do you account for the variance between you estimate and the actual volume?
- c. What impact would you expect your proposed Standard A rates in this docket to have on Standard A parcel volume in Test Year 2001?