

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

**INTERROGATORIES OF
THE DIRECT MARKETING ASSOCIATION, INC.
TO OCA WITNESS GERARDEN**

Pursuant to Sections 25 and 26 of the Commission's Rules of Practice, the Direct Marketing Association, Inc. hereby submits the attached interrogatories to OCA witness Gerarden: DMA/OCA-T1, Nos. 1-7. If the designated witness is unable to respond to any interrogatory, we request a response by some other qualified witness.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Commission's Rules of Practice.



Dana T. Ackerly II

Dated: June 2, 2000

DMA/OCA-T1-1. Please refer to your testimony, OCA-T-1, at page 5.

- a. Have you made a legal analysis of the consistency between your “single-piece first-class rate stability proposal” and the provisions of the Postal Reorganization Act of 1970?
- b. If so, please describe the results of your analysis in as much detail as possible.
- c. Please describe in as much detail as possible your opinion, if any, as to whether your First-Class rate stability proposal is consistent with the requirement that postal rates implemented pursuant to a particular PRC proceeding be supported by the record created in that proceeding.
- d. Please describe in as much detail as possible your opinion, if any, as to whether your first-class rate stability proposal is consistent with USPS management prerogatives relating to the timing of the filing of omnibus postal rate proceedings and the timing of implementation of postal rate changes.

DMA/OCA-T1-2. Please refer to your testimony on page 5, lines 22-23, where you state: “The SPFC rate stability proposal is intended to provide greater convenience to consumers. . . .”

- a. In addition to the asserted “greater convenience to consumers,” are there any other valid purposes that would be served by your proposal and that may provide additional reasons for the Commission to recommend your proposal? If so, please describe any and all such purposes in as much detail as possible.
- b. During the course of developing this proposal, did you consider the relative usage of single-piece First Class Mail by various types of mailers? If so, please describe in as much detail as possible what these considerations were and the data concerning SPFC usage that was available to you at that time.
- c. Do you currently have data concerning the relative usage of SPFC mail by households, “small businesses” and large businesses over the last five years? If so, please provide this data in tabular form.

DMA/OCA-T1-3. Please refer to your testimony at page 6, lines 11-13, where you state that “The Postal Service would track the excess or deficient revenues from single-piece mail over time in a reserve account.”

- a. Please describe in as much detail as possible the manner in which this “reserve account” would be established and maintained.
- b. Would it be a separate account in which cash would be accumulated initially and then drawn down? If so, please explain in as much detail as possible what would

happen when the assets in the account become fully depleted and additional charges to the account are made.

- c. Is the "reserve account" intended merely to be an accounting convenience?
- d. Whether the "reserve account" is an accounting convenience or an actual account in which assets are held, please describe in as much detail as possible the computations that would be made leading to the debiting or crediting of amounts to the account. Please address separately how the relevant costs would be computed in the test year, in the year following the test year, and in the years following implementation of a subsequent rate change.

DMA/OCA-T1-4. Please refer to your testimony at page 6, lines 7-11. Does your first-class rate stability proposal require the "rounding up" of the SPFC rate in the first case in which the proposal is implemented in order to create a "surplus" that could be "drawn down" in the succeeding proceeding? Please explain fully.

DMA/OCA-T1-5. Please refer to your testimony at page 6, lines 10-11.

- a. Please describe in as much detail as possible your conclusion that, under your rate stability proposal, "the single-piece rate category would 'break even' over two rate case periods."
- b. Does your proposal assume that the SPFC "deficit" created by keeping the SPFC rate "stable" in the second proceeding would be equal to the "surplus" created during the effectiveness of the rates implemented pursuant to the first case?
- c. What would be the result, under your proposal, if the deficit that needed to be filled in the second case were twice the size of the surplus that had been accumulated under the first case?
- d. Under the scenario hypothesized in question 5.c. above, would the SPFC rate be "rounded up" again, permitting the "surplus" to continue to grow, or would the SPFC rate be rounded down, creating a deficit that would require higher rates in the third proceeding?
- e. Assuming that the surplus created pursuant to the first case is not exactly equal to the deficit created through rate stability in the second case, would you agree that your proposal amounts to nothing more than an accounting convention creating a "slush fund" that could be used in any rate case to justify rounding up or rounding down the SPFC rate from a "target" fractional rate to a rate with an even integer? If you do not agree, please explain fully.
- f. Given the significant number of judgmental factors that the Commission must consider in setting all postal rates, including the SPFC rate, please explain your

views as to the relative importance of your proposed “reserve account” in relation to the other pricing factors.

DMA/OCA-T1-6. Please explain, in light of the fact that businesses mail large quantities of single piece First-Class mail, how under your rate stability proposal the Commission could craft a First-Class rate proposal that would preserve the desired incentives for mailers to apply bar codes and pre-sort their First Class mail. For example, under circumstances where the SPFC rate is reduced through the application of “monies” in the “reserve account,” is it not the case that the incentives to pre-sort and apply bar codes to first class mail would be artificially reduced, to the detriment of overall USPS finances? Please explain your response fully.

DMA/OCA-T1-7. Please refer to your testimony at page 8, line 4 and page 11, lines 2-3.

- a. Please describe in as much detail as possible your choice of “ten” as the number of courtesy make-up stamps to be sent to each delivery address.
- b. Was this number chosen (i) arbitrarily, (ii) in order to permit the lost revenues to be offset by estimated cost savings, (iii) some other reason, or (iv) a combination of the foregoing? Would you agree that the Postal Service could confer a more substantial benefit upon the mailing public, both in terms of convenience and in terms of easing the transition to higher postal rates, through distributing larger amounts of courtesy make-up stamps?
- c. Would you agree that, in order partially to offset the impact of “rounding up” single-piece First Class rates to the nearest integer, the Postal Service could distribute for free, large amounts of courtesy make-up stamps, perhaps as many as an estimated one-year supply? Would you support such a proposal?