

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

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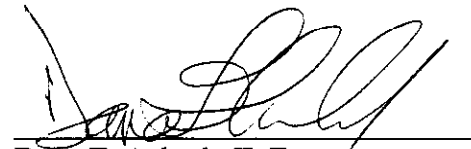
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POSTAL RATE AND FEE CHANGES, 2000  
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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY  
Docket No. R2000-1

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

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 Callow: DMA/OCA-T6, Nos. 1-8. If the designated witness is unable to respond to any interrogatory, we request a response by some other qualified witness.

Respectfully submitted,



Dana T. Ackerly II, Esq.  
COVINGTON & BURLING  
1201 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004-2401  
(202) 662-5296

Counsel for the Direct Marketing  
Association, Inc.

**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-T6-1.** Please refer to your testimony at page 22, where you compute an “average mark-up index” for First Class Letters in the amount of 1.263. Please also refer to your testimony on page 23 at lines 5-7, where you discuss the annual contribution of First-Class letter mail to USPS institutional costs “. . . intended by the Commission, based upon the average First-Class Letters mark-up index benchmark.”

- a. Would you agree that the expressions of intent by the Postal Rate Commission concerning institutional cost contribution of any class of mail, including First-Class Letter mail, are limited to the respective proceeding in question; are based upon the evidence in each respective proceeding; and are limited to the test year utilized in the respective proceeding? Please explain fully any answer other than an unqualified “yes.”
- b. Please identify, with as much specificity as possible, any and all expressions of Commission intent with respect to contributions to institutional costs by specific classes or subclasses of mail in years other than the test years utilized in each respective proceeding.
- c. In your opinion, has the Commission ever expressed an intent concerning contribution to institutional costs with reference to averages based upon multi-year periods? If so, please identify all such expressions with as much specificity as possible.

**DMA/OCA-T6-2.** Please refer to your testimony on page 23, line 1, where you state, “This excess contribution has accelerated in recent years.”

- a. Please confirm that the First-Class Letters mark-up index reflected in the Commission’s recommendations in the two most recent omnibus rate proceedings, as shown in your Table 10 (1.310 and 1.308, respectively) are both in excess of your computed “average mark-up index” of 1.263. If you do not confirm, please explain fully.
- b. Would you agree that the “acceleration” in the purported “excess contribution” is a direct result of express PRC choices that were made in Dockets R94-1 and R97-1, and that were based on the evidence of record in those proceedings? Please explain fully any answer other than an unqualified “yes.”
- c. Please refer to your Table 11. If the annual contributions to institutional costs made by First-Class Letter mail are a result of specific Commission recommendations, is it not erroneous to consider these contributions, especially those in the years 1997 through 2001, to be “excess?” Please explain fully any answer other than an unqualified “yes.”

**DMA/OCA-T6-3.** Please refer to your testimony at page 27, line 3 through page 28, line 5. In this passage you refer to the first pricing criterion of section 3622(b) (“fairness and equity”) and

**DMA/OCA-T6-3.** Please refer to your testimony at page 27, line 3 through page 28, line 5. In this passage you refer to the first pricing criterion of section 3622(b) (“fairness and equity”) and state that “Simple fairness suggests that the institutional cost burden for First-Class Letter Mail be mitigated.” Please refer also to your testimony on page 28, lines 18-19, where you state, “The trend of a higher institutional cost burden borne by First-Class Letter Mail in excess of that intended by the Commission, on balance, requires mitigation.”

- a. Please confirm that, with the exception of a brief reference to pricing criterion 9 (“which permits the Commission to consider such other factors as it deems appropriate.”) (page 28, lines 22-23), your testimony omits reference to any other of the pricing criteria set forth in section 3622(b) of the Postal Reorganization Act.
- b. Please explain in as much detail as possible the extent to which you considered pricing criteria 2 through 8 in connection with your recommendation to maintain the single-piece First-Class rate at 33 cents.
- c. Please present an analysis of the evidence of record in this case relevant to pricing criteria 2 through 8 and describe the extent to which this testimony supports or undermines your proposal.

**DMA/OCA-T6-3.** What are the cost coverage and mark-up index for First-Class letters implied by the OCA 33-cent SPFC proposal in the Test Year both (1) using Test Year costs proposed by the Postal Service and (2) using Test Year costs as estimated by OCA witness Thompson. See OCA-T-9.

**DMA/OCA-T6-4.** Assuming, arguendo, that the Commission agrees with you that the cost coverage for First-Class letters should be moderated, please provide as complete an explanation as possible as to why the Commission should recommend a cost coverage and mark-up index for First-Class letters at the levels implied in the OCA 33-cent SPFC proposal.

- a. Did you consider during the preparation of your testimony, or can you now suggest, a modification in the USPS proposals that would benefit consumers and small businesses and that would “moderate” First-Class letter cost coverage, but to an extent lesser than that implied by the OCA 33-cent SPFC?
- b. If so, please describe such modification as fully as possible.

**DMA/OCA-T6-5.** Please refer to your testimony on page 30, lines 8-17.

- a. Please provide an estimate of the postage costs that would be saved by First-Class mailers in the test year if the OCA 33-cent SPFC proposal were implemented, as compared with the First-Class rates proposed by the Postal Service.

- b. Please provide an estimate of the portion of the estimated savings identified in question 5.a., above, that would be saved by consumers.
- c. Please provide an estimate of the portion of the estimated savings identified in question 5.a., above, that would be saved by business mailers.

**DMA/OCA-T6-6.** Did you consider the impact of your 33-cent SPFC proposal on overall First-Class Letter rate design, including the size of various work-sharing discounts available to mailers. If so, please explain such considerations in as much detail as possible.

**DMA/OCA-T6-7.** Please refer to your testimony at page 37, lines 9-12, where you state that “. . . rates for First Class Letters . . . would be set without regard to the ‘integer constraint.’” You continue by stating, “*The rate actually paid by households, by contrast, would be set at a whole cent.*”

- a. Is it your proposal that the SPFC “integer rate” would not be available to business mailers? If so, how do you propose that the Postal Service enforce the requirement that business mailers pay a rate other than the integer rate?
- b. Are you proposing that there would be a difference in the SPFC rate depending upon whether a stamp, a postage meter or some other method of paying postage were used? Please explain fully.
- c. Do you have any data or estimates on the number of household mailers that have access to means of paying postage other than by applying stamps? If so, please provide such data and/or estimates in as much detail as possible.

**DMA/OCA-T6-8.** Please refer to your testimony at page 37, line 20 through page 38, line 5.

- a. Would the 33-cent SPFC stamp you propose produce a “positive balance” in the “SPFC Reserve Account” that you propose, in the test year?
- b. If so, how large do you estimate the reserve would be at the end of test year?
- c. On pages 21 through 23 of your testimony, you argue that First-Class letter mail has contributed an excess of revenues over the past twelve years. Is it your testimony that, in effect, there is already a “positive balance” to the “credit” of SPFC mail that should cause the Commission to recommend SPFC rate stability in this proceeding by maintaining the 33-cent rate recommended in R97-1?
- d. Have you made an analysis as to whether similar “excess contributions” have been made by other classes or subclasses of mail that should be used to maintain rate stability for those classes, as well? If so, please describe such analyses in detail.