

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

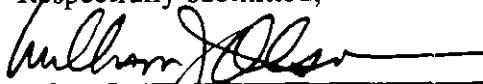
POSTAL RATE AND FEE CHANGES, 1997)

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Docket No. R97-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

VAL-PAK DIRECT MARKETING SYSTEMS, INC.,
VAL-PAK DEALERS' ASSOCIATION, INC., AND
CAROL WRIGHT PROMOTIONS, INC
SECOND INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO POSTAL SERVICE WITNESS DONALD O'HARA (VP-CW/USPS-T30-6-9)
(September 16, 1997)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Val-Pak Direct Marketing Systems, Inc., Val-Pak Dealers' Association, Inc., and Carol Wright Promotions, Inc., d/b/a "Cox Direct," 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

Alan Woll

William J. Olson, P.C.

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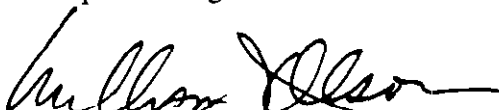
McLean, Virginia 22102-3823

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Counsel for Val-Pak Direct Marketing Systems, Inc.,
Val-Pak Dealers' Association, Inc., and
Carol Wright Promotions, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served by hand delivery or mail the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.


William J. Olson

September 16, 1997

VP-CW/USPS-T30-6.

Your testimony at pages 34-35 states that Standard A ECR mail has a relatively low intrinsic value of service. Your response to VP-CW/USPS-T30-4(b) states that you looked at the Postal Service's service standards — as reported in the Postal Service's statement in this docket in compliance with Rule 54(n) — to assess the service actually provided to Standard A ECR under criterion 2.

- a. Please confirm that, according to the Postal Service's statement in this docket in compliance with Rule 54(n), no class or subclass of mail has a lower service standard than Standard A. If you do not confirm, please explain your answer fully.
- b. Please identify all classes and subclasses of mail that, according to the Postal Service's statement in this docket in compliance with Rule 54(n), enjoy a higher standard of service than Standard A.
- c. Please refer to Exhibit USPS-30B. Please confirm that, for Test Year After Rates, only Mailgrams would receive a cost coverage that is as high or higher than that applied to Standard A ECR.
- d. In your response to VP-CW/USPS-T30-4, you state that actual performance in delivery is considered under criterion 2, value of service. In your opinion, do any issues of fairness and equity arise when a subclass such as Standard A ECR with the lowest service standard pays the second-highest cost coverage?
- e. Please explain what information the Postal Service's statement in compliance with Rule 54(n) provides about the service actually provided to Standard A mail.

VP-CW/USPS-T30-7.

In your testimony, at page 9, you state that “the coverage of a subclass with a greater-than-average increase in worksharing will need to increase relative to the system-average coverage.”

- a. Is it your testimony that application of criterion 6 requires imposition of a higher cost coverage wherever a greater degree of preparation by the mailer is found? Please explain your answer fully.
- b. Does the imposition of a higher cost coverage on a class or subclass of mail due to its “greater-than-average increase in worksharing” create a disincentive for mailers to participate in worksharing, thereby reducing their participation in projects which increase Postal Service efficiency and productivity?

VP-CW/USPS-T30-8.

Please refer to Exhibit USPS-30D, and to page 36 your testimony, where you state that application of several of the statutory criteria to Standard A ECR “would indicate a cost coverage lower than that actually proposed,” however, “this could only be achieved by imposing **greater rate increases on other subclasses**, thereby widening the range of increases around the modest overall average (emphasis added).”

- a. Please confirm that the systemwide average proposed rate increase is 4.5 percent. If you do not confirm, please provide the correct figure.
- b. Do you agree that your argument against **greater rate increases on other subclasses** does not apply to subclasses where the proposed increase is **less than the systemwide average**. If not, please explain.

- c. Please confirm that, under the Postal Service's proposal, First-Class letter mail, Express Mail, In-County Periodicals, Nonprofit Periodicals, Regular Rate Periodicals, Standard A Regular mail, and Standard B Special Mail have average proposed rate increases **less than the systemwide average**. If you do not confirm, please explain.
- d. Please confirm that, in addition to the subclasses set out in the preceding subpart, under the Postal Service's proposal, First-Class card mail, Classroom Periodicals, and Standard B Bound Printed Matter also have average proposed rate increases **under 6 percent**. If you do not confirm, please explain.
- e. Do you agree that your argument against **greater rate increases on other subclasses** has limited applicability to subclasses which have average proposed rate increases of under 6 percent? If not, please explain.
- f. Please explain how it is **fair and equitable** to impose a higher cost coverage on Standard A ECR, despite the fact that the application of the statutory criteria you reference in your testimony support a lower cost coverage, so that so many classes and subclasses of mail may have rate increases which are less than the systemwide average increase, or increases which are less than 6 percent.

VP-CW/USPS-T30-9.

At p. 36 of your testimony you state that:

a lower coverage for ECR would have made it more difficult to design rates so that the Automation 5-digit rate in Standard Regular was below the ECR basic rate, encouraging the movement of ECR basic letters into the automation mailstream. As has been the case since at least Docket No. MC95-1, this is an important operational goal of Postal Service management.

In your response to VP-CW/USPS-T30-5, you state that “the cost differential between automation letters and basic ECR letters has virtually disappeared.”

- a. Why was it necessary to assign Standard A ECR a cost coverage over 228 percent to encourage the migration of ECR basic letters into the automation mailstream?
- b. Would a Standard A ECR cost coverage of 180 percent have been sufficient to encourage such migration? 200 percent? 210 percent?
- c. If your proposed cost coverage for the Standard A ECR subclass were lower (*e.g.*, 200 percent) what principle(s) of rate design would prevent the Postal Service from maintaining the proposed rate on basic letters and lowering rates in all other ECR rate cells?