

DOCKET SECTION

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS MOELLER TO INTERROGATORY OF  
NASHUA PHOTO INC., DISTRICT PHOTO INC., MYSTIC COLOR LAB, AND  
SEATTLE FILMWORKS, INC.  
(NDMS/USPS-T36-4)

The United States Postal Service hereby provides the response of witness Moeller to the following interrogatory of Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle Filmworks, Inc.: NDMS/USPS-T36-4, filed on September 17, 1997.

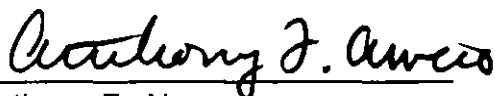
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
Anthony F. Alverno

475 L'Enfant Plaza West, S.W.  
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October 1, 1997

U.S. POSTAL SERVICE WITNESS MOELLER RESPONSE TO  
INTERROGATORIES OF NDMS

NDMS/USPS-T36-4. In witness Mayes' response to NDMS/USPS-T13-1, in Docket No. MC97-2, she stated that "machinability on any particular piece of equipment will not determine whether any specific piece of Standard (A) is subject to the surcharge."

- a. Would machinability determine whether any specific piece of Standard (A) is subject to the surcharge under the Postal Service's proposal in this docket?
- b. If not, please explain why a surcharge that ignores totally the most important characteristic determining differences in unit mail processing cost (*i.e.*, machinability) is likely to result in a price structure that better reflects cost differences.
- c. With respect to imposition of a surcharge that applies irrespective of machinability, please list and explain all incentives which the surcharge gives mailers to redesign their mail so that non-machinable pieces will become machinable.
- d. As a general principle, are incentives for reducing cost an appropriate consideration in rate design?

RESPONSE:

- a. Pieces not meeting the definition of a letter or flat, or pieces prepared as parcels, are subject to the residual shape surcharge. Machinability, per se, is not a determinant.
- b. This question is based on the mistaken impression that the costs upon which the residual shape surcharge is based do not account for machinability. In fact, machinability is factored into the calculation of cost differences.  
  
Witness Crum's cost calculations reflect the machinability of parcels. To the extent machinability of parcels reduces costs, the cost differential on which the surcharge is based is narrowed.
- c. The surcharge itself is not designed to encourage machinability.  
  
Machinability is encouraged, however, by the simpler preparation requirements for machinable parcels. Such pieces may be prepared to

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BMCs rather than 3-digit (which greatly reduces the number of separations required), and qualify for the 3/5-digit presort rate.

d. Yes.

# DECLARATION


I, Joseph D. Moeller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
JOSEPH D. MOELLER

Dated: October 1, 1997

## 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.

  
for Anthony F. Alverno

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