

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

RECEIVED

POSTAL RATE AND FEE CHANGES, 1997)

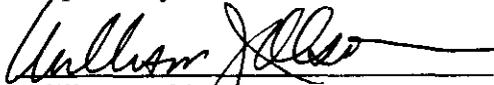
Docket No. 9274 '97

NASHUA PHOTO INC., DISTRICT PHOTO INC.,
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC.
FOURTH INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO POSTAL SERVICE WITNESS CHARLES L. CRUM, (NDMS/USPS-T28-27-29)
(November 7, 1997)

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle FilmWorks, Inc., proceeding jointly herein, hereby submit the following 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

John F. Callender, Jr.

William J. Olson, P.C.

8180 Greensboro Drive, Suite 1070

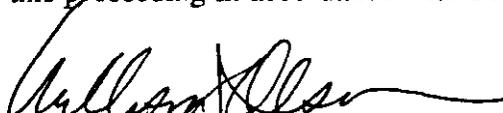
McLean, Virginia 22102-3823

(703) 356-5070

Counsel for Nashua Photo Inc., District Photo Inc.,
Mystic Color Lab, and Seattle FilmWorks, 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

November 7, 1997

NDMS/USPS-T28-27.

Please refer to Table 7 of Exhibit K, incorporated into your testimony on October 1, 1997.

- a. Your "Weight by Entry Discount" data identifies Appendix A as the source. Please identify the document (*i.e.*, Appendix A to what document), page number, and line number where these data can be found, or explain how they can be calculated.
- b. Please provide volumes by entry discount by shape, corresponding to your "Weight by Entry Discount" by shape data in Table 7, identifying the source of these data.

NDMS/USPS-T28-28.

Please refer to Tables 3 and 7 of Exhibit K, recently incorporated into your testimony.

- a. Table 3 of Exhibit K identifies the cost of the 1996 average Bulk Standard Mail (A) letter as 8.0 cents; flat as 11.3 cents; and IPPs and parcels as 51.6 cents per piece. Table 7, part 6 of Exhibit K identifies the average cost avoidance through presortation of a Bulk Standard Mail (A) flat as 13.5 cents per piece. Please confirm that, according to your testimony, the **average** flat, through presortation alone, avoids more than half of the costs it would otherwise incur (*i.e.*, if it received no presortation). If you do not confirm, please explain.
- b. Do you believe that Bulk Standard Mail (A) IPPs and parcels — by any level of presortation, alone — can avoid more than half of the costs they would otherwise incur (*i.e.*, if they received no presortation). Please explain any answer that is not an unqualified affirmative.

- c. If your answer to subsection b is yes, do you believe that a residual shaped mailpiece which avoids half or substantially more than half, of its costs should pay the proposed residual shape surcharge? Please explain your answer.
- d. Please confirm that the presort cost avoidances in Table 7 are drawn from the "Flats or Nonletters" data from page 2 of USPS-29C.
- e. If the attributable cost of the **average** Bulk Standard Mail (A) flat is **11.3 cents** (Table 3), and the **average cost avoidance** through presortation of a Bulk Standard Mail (A) flat is **13.5 cents** (Table 7, part 6) (and these mail processing costs reflect 0 percent dropshipping (*see* USPS-29C, n.2)), please confirm that the cost of a nonpresorted Bulk Standard Mail (A) flat would be 24.8 cents. If you do not confirm, please explain.
- f. If the attributable cost of a nonpresorted Bulk Standard Mail (A) flat would be 24.8 cents, please explain how that flat can avoid **20.2 cents** by saturation presortation, as you indicate at Table 7, part 5.
- g. Table 7, at 6) Avoided Costs, multiplies data from 4) Pieces by Presort Level by 5) Presort Cost Avoidances. The same cost avoidance (\$/piece) is applied to both flat and parcel volumes to calculate part 6. Do you believe that Bulk Standard Mail (A) flats and parcels avoid identical amounts of attributable costs through dropshipment?
- h. Table 7 reports a saturation presort cost avoidance of \$0.202025 for flats and parcels. Please confirm that the equivalent saturation cost avoidance for Standard A letters, drawn from the "Letters" data from page 2 of USPS-29C, would be \$.08992. If you do not confirm, please explain.
- i. Please explain why the saturation presort cost avoidance for Standard A flats is more than twice the saturation cost avoidance for Standard A letters.

- j. If, as the data in your testimony indicate, the attributable cost of the average Bulk Standard Mail (A) letter is 8.0 cents, a flat is 11.3 cents, and IPPs and parcels is 51.6 cents, please explain why the saturation presort cost avoidance for Standard A flats is more than twice what the saturation cost avoidance is for Standard A letters, but the saturation presort cost avoidance for Standard A flats and IPPs and parcels mailpieces is identical?
- k. Please provide the equivalent data for all dropship entry cost avoidances reported in Table 7, in cents per piece. (See part 3 of Table 7)

NDMS/USPS-T28-29.

Exhibit K contains Table 3B(1) "FY 1996 Bulk Standard Mail (A) Regular Costs by Shape," and Table 3A(1) "FY 1996 Bulk Standard Mail (A) Enhanced Carrier Route Costs by Shape." Table 3B(1) identifies the costs of Standard A Regular parcels as 51.3 cents per piece, while the attributable costs of Standard A Regular flats are 18.2 cents per piece. Table 3A(1) identifies the costs of Standard A ECR parcels as 45.5 cents per piece, while the attributable costs of Standard A ECR flats are 6.4 cents per piece.

- a. Please confirm that the average ECR flat avoids 65 percent of the costs incurred by the average Standard A Regular flat by virtue of greater presortation and dropship entry? If you do not confirm, or if you confirm in part, please explain your answer.
- b. Please confirm that the average ECR parcel avoids 11 percent of the costs incurred by the average Standard A Regular parcel by virtue of greater presortation and dropship entry? If you do not confirm, or if you confirm in part, please explain your answer.

- c. These tables show that the average Standard A Regular parcel incurs greater transportation costs (C.S. 14) than the average Standard A ECR parcel: 7.65 cents per piece compared to 0.99 cents per piece.
- (i) Do these figures indicate that, by virtue of greater presortation and dropship entry, the average Standard A ECR parcel avoids 6.66 cents **per piece** of the transportation costs incurred by the average Standard A Regular parcel?
 - (ii) To what extent is this result caused by differences in weight/cube?
 - (iii) To what extent is this result caused by differences in entry profile?
- d. These tables show that the average Standard A Regular parcel incurs greater mail processing costs (C.S. 3.1) than the average Standard A ECR parcel: 29.01 cents per piece compared to 14.62 cents per piece.
- (i) Please confirm that, by virtue of greater presortation and dropship entry, the average Standard A ECR parcel avoids 14.39 cents **per piece** of the mail processing costs incurred by the average Standard A Regular parcel? If you do not confirm, please explain your answer.
 - (ii) Please confirm that, by virtue of greater presortation and dropship entry, the average ECR parcel avoids more than 20 cents **per piece** of the mail processing and transportation costs incurred by the average Standard A Regular parcel? If you do not confirm, please explain your answer.
 - (iii) Please confirm that presortation and dropship entry of parcels results in greater cost avoidance to the Postal Service than presortation and dropship entry of flats and letters? If you do not confirm, please explain your answer.

- (iv) Do you feel that you have accurately identified in your testimony the effect of differences in the use of destination entry and presortation by Standard A flats and parcels? Please explain your answer.
 - (v) If these figures indicate that the greater presortation and dropship entry provided to the average ECR parcel avoid more than 20 cents per piece of the mail processing and transportation costs incurred by the average Standard A Regular parcel, why is the overall difference between the costs incurred by average Standard A ECR parcel and the average Standard A Regular parcel less than 6 cents per piece?
 - (vi) Did you notice this anomaly before you incorporated these data into your testimony?
 - (vii) How reliable are the data in these tables, in your testimony?
 - (viii) Did you examine the reliability of the attributable cost data from the IOCS and the Base Year CRA before you incorporated these data into your testimony? If so, how did you examine the reliability, and what conclusions did you draw?
 - (ix) Did you examine the reliability of the volume data from the PERMIT and BRAVIS systems before you incorporated these data into your testimony? If so, how did you examine the reliability, and what conclusions did you draw?
- e. With respect to the data from Tables 3A(1) and 3B(1) in your testimony:
- (i) Please explain why the average Standard A ECR flat incurs approximately one-third the costs incurred by the average Standard A Regular flat, while the Standard A ECR parcel incurs approximately nine-tenths of the costs incurred by the average Standard A Regular parcel.

- (ii) Please explain why ECR preparation and delivery avoids 12 of 18 cents from the cost of the average Standard A flat, but only 6 of 51 cents from the cost of the average Standard A parcel.