

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0010

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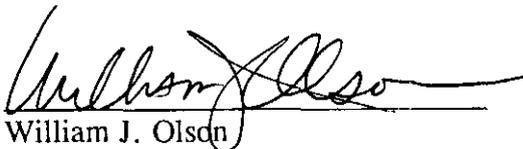
POSTAL RATE AND FEE CHANGES, 1997)

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

RESPONSE OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.,
VAL-PAK DEALERS' ASSOCIATION, INC., AND
CAROL WRIGHT PROMOTIONS, INC
TO INTERROGATORIES
OF THE MAIL ORDER ASSOCIATION OF AMERICA (MOAA/VP/CW-T1-1-11)
(February 9, 1998)

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 provide the responses of witness John Haldi to the following interrogatories of Mail Order Association of America (MOAA/VP/CW-T1-1-11), filed on January 26, 1998. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,



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Carol Wright Promotions, Inc.

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.



William J. Olson

February 9, 1998

MOAA/VP/CW-T1-1.

Please provide all workpapers, including machine-readable spreadsheets (with any formulas and source references), supporting the tables found in your testimony and Appendices A-D.

Response:

The requested information has been provided to counsel for MOAA. Errata will be filed shortly and revised information provided at that time.

MOAA/VP/CW-T1-2.

Please confirm that the Enhanced Carrier Route ("ECR") rates found in your Table 6 reflect the rates that you are proposing on behalf of VP/CW in Docket R97-1. If confirmed, please provide sources and calculations of your proposed rates found in Table 6. If not confirmed, please provide the rates for ECR that you are proposing as well as sources and calculations supporting your proposed ECR rates.

Response:

Confirmed that Table 6 reflects rates proposed originally on behalf of VP/CW in Docket No. R97-1. For the derivation of proposed rates, see Appendix C, especially Tables C-3 and C-10, and the tables antecedent thereto. Certain rates are being revised; see Table 6 (revised 2/_/98) and Table C-3 (revised 2/_/98).

MOAA/VP/CW-T1-3.

Please confirm that the volume variable unit costs found in Table 1 of your testimony reflect estimated costs for Standard (A) ECR letters that are applicable to the rates that you have proposed in Table 6 of your testimony. If you cannot confirm, please provide the volume variable unit costs applicable to the rates that you have proposed in Table 6 of your testimony.

Response:

Confirmed that Table 1 contains volume variable unit costs that reflect estimated unit costs of Standard A ECR letters. However, see errata containing Table 1 (revised 2/ /98).

MOAA/VP/CW-T1-4.

Please confirm that the margins shown in Table 7 of your testimony are developed by subtracting the volume variable cost in Table 1 of your testimony from the rates in Table 6 of your testimony. If not confirmed, please provide the sources and calculations of the margins shown in Table 7 of your testimony.

Response:

Confirmed, but see Table 7 (revised 2/_/98).

MOAA/VP/CW-T1-5.

Please refer to pages 11 and 41 of your testimony. Please list the subclasses other than Priority Mail where you believe that the USPS utilizes "Bottom-Up" and "Target Mark-up" procedures in setting rates.

Response:

I have not subjected the rate design procedure for all other subclasses to careful study, but I suspect that the procedure for designing rates for Express Mail is generally similar to that for Priority Mail. These are the only two subclasses for which I can state with reasonable confidence that the Postal Service uses "bottom-up" procedures for setting rates in each cell of the rate structure. I have not studied the rate design for BPM or Parcel Post, but they could be potential candidates as well.

MOAA/VP/CW-T1-6.

Please confirm that in developing the aggregate revenues generated by your rate proposal, you have not considered the impact on ECR volumes caused by your rate proposal. If you cannot confirm, please provide all workpapers supporting the changes in volume caused by your rate proposal.

Response:

Confirmed. Since my rates were designed to produce the same aggregate revenues as the rates proposed by the Postal Service, my analysis assumes that aggregate ECR volumes would not change.

MOAA/VP/CW-T1-7.

Please refer to Table A-6 of your testimony.

- (a) Please confirm that the source of the test year after rate volumes is USPS Witness Moeller (USPS-T-36) workpaper 1, page 20. If you cannot confirm, please provide the source of the volumes.
- (b) Please confirm that you utilized the following volumes for ECR letters from Witness Moeller's testimony.

	<u>Volume (Pieces)</u>	
<u>Item</u> (1)	<u>High Density</u> (2)	<u>Saturation</u> (3)
1. Total	392,986,000	3,086,387,000
2. BMC	38,040,000	211,268,000
3. SCF	248,831,000	2,029,472,000
4. DDU	<u>66,038,000</u>	<u>470,851,000</u>
5. No destination entry ^{1/}	40,077,000	374,778,000

^{1/} Line 1 minus (Line 2 + Line 3 + Line 4)

If you cannot confirm, please provide the correct volumes.

Response:

- (a) Confirmed.
- (b) Confirmed, except that the saturation mail with no destination entry is 374,796,000 pieces, rather than the 374,778,000 pieces shown in your chart.

See errata containing Table A-6 (revised 2/_/98).

MOAA/VP/CW-T1-8.

Please refer to Table A-10 of your testimony.

- (a) Please confirm that the unit shipping costs for high-density mail with no destination entry is based on a volume of 106,048,962 pieces. If you cannot confirm, please provide the correct volume as well as the sources and calculations supporting the volumes.
- (b) Please confirm that the unit shipping costs for saturation mail with no destination entry are based on a volume of 845,176,149 pieces. If you cannot confirm, please provide the correct volume as well as the sources and calculations supporting the volumes.

Response:

- (a) Confirmed for the testimony as filed. However, see errata filed 2/ /98. The volume for high density mail with no destination entry changes to 40,077,000 pieces, but the unit cost in Table A-10 does not change.
- (b) The volume for saturation mail with no destination entry changes to 374,796,000 pieces, but the unit cost in Table A-10 does not change. By way of explanation, the revised (reduced) volume datum in Table A-6 reduces the computed weight in Table A-7, as noted in MOAA/VP/CW-T1-7, and the computed total shipping cost in Table A-9, which leaves the unit cost unchanged.

MOAA/VP/CW-T1-9.

Please identify the impact on your proposed rates if the volumes for high density and saturation mail with no destination entry are based on the volumes shown in the table in question MOAA/VP/CW-T1-7.

Response:

See Table 6 (revised 2/ /98) and Table C-3 (revised 2/ /98).

MOAA/VP/CW-T1-10.

Please refer to page 18 and 19 of your testimony. Please provide a detailed explanation of the derivation of the calculations of 11.91 cents per pound, 0.54 cents per pound and 26.50 cents per pound.

Response:

- (a) For the computation of 11.91 cents per pound, see Table A-15. The datum on the first row, \$465,380 (thousand), is computed by multiplying total volume from Table A-6 (19,973,382,000 pieces) by 2.33 cents. The dollars per pound, \$0.1191 on row 3, is the result of dividing \$465,380 (thousand) by the total weight, shown on row 2.
- (b) The computation of 0.54 cents per pound is shown in Table A-17. The adjustment necessary to conform the computed cost of nonletters with CRA costs (\$21,044 thousand) is divided by the total weight of nonletters, 3,892,997,622 pounds (from Table A-7).
- (c) The figure of 26.50 cents per pound for mail with no destination entry is the result of adding 12.57 cents (the contingency-adjusted cost for DDU entry) and 13.93 cents. This latter number is the shipping cost for destination entry (13.79 cents per pound, as shown in Table A-8), times the contingency factor (1.01).

MOAA/VP/CW-T1-11.

Please refer to Table A-5 of your testimony. Please confirm that the pounds per piece for automation letters entered at the BMC, SCF and DDU is not known. If you cannot confirm, please provide the average pounds per piece for automation letters entered at the BMC, SCF, and DDU, as well as the sources and calculations supporting your values.

Response:

The Postal Service does not provide any data that would enable the computation of pounds per piece for automation letters entered at BMC, SCF and DDU. For TYAR, witness Moeller provides the volume (pieces) of automation letters by destination entry (see LR-H-202). These volumes are shown in my Table A-6. In computing my Table A-7, I have assumed that these letters have the same average weight as Basic Presort letters (Table A-5) for each corresponding destination entry point.

DECLARATION

I, John Haldi, declare under penalty of perjury that the foregoing answer is true and correct to the best of my knowledge, information and belief.



John Haldi

Dated: February 9, 1998