

# DISTRICT PHOTO INC

BELTSVILLE, MARYLAND 20705 • PHONE (301) 895-8300

RECEIVED  
JUN 1 10 45 AM '98  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

May 21, 1998

Hon. Sam Winters  
Chairman, Board of Governors  
U.S. Postal Service  
475 L'Enfant Plaza, S.W.  
Room 10300  
Washington, D.C. 20260-1000

Re: Postal Rate Commission  
Opinion and Recommended Decision  
Docket No. R97-1

Dear Chairman Winters:

We are writing on behalf of District Photo, Inc., and Images, LLC, the country's largest mail order photo finisher doing business as Clark Color Labs and York Photo Labs with respect to the Postal Rate Commission's opinion and Recommended Decision in Docket No. R97-1. (Images, LLC. Intervened in Docket No. R97-1 before the Postal Commission under its prior name Nashua Photo, Inc.)

It is important to understand that our photo finishing companies are competing in an industry of which only 6 percent is mail order. The remainder of the industry is made up of retail and wholesale photo finishers. The mail order segment is not in a position to pass on to its customers the recently approved postal rates, and any effort to do so will make it even less competitive with the rest of the industry. This will not only mean lost business to our company but also to the Postal Service as people move to other sources for photo finishing. For this reason, District Photo, Inc. and Images, LLC requests that the new rates not be implemented until January 1999, at the earliest.

Under the Commission's recommendation, based on our combined usage of First-Class, Priority, and Standard A Mail, our companies are faced with a 14 percent increase in postal rates. This is a much higher than the average rate increase faced by most major retailers. In fact, the only major increases incurred over the last few years to our industry have been postal rates.



These are the very costs which are not incurred by our non-mail order competitors.

Almost all major mailers were faced with a budgeting problem in the later part of 1997. New rates have been requested, but there was nothing definite. There was also the issue of the implementation date. With a postponement until at least January, 1999, mailers would have a better opportunity to budget for the increased rates and plan a reasoned implementation.

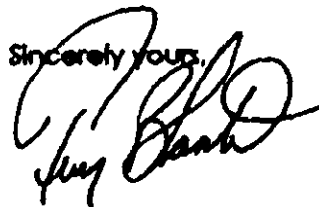
The Postal Service is charged with breaking even over a period of time by law. If it is generating a surplus now, and most projections indicate that it will continue to, any increase in rates will increase profits even more. It is evident that increased rates are not needed at this time.

In the past when rates have increased, there have been massive efforts by the Postal Service to implement the new rates as quickly as possible. This had led to many inefficiencies and problems for the mailers as well as the Postal Service. Software vendors need adequate time to make changes and then to test the revisions for accuracy. With a deferral of implementation, the training and preparation can be performed more thoroughly and more efficiently. There is no compelling reason to the problems associated with higher rates with the problems associated with a rushed implementation.

The fall and Christmas mailing season would be negatively impacted if the rate changes were implemented later this year. When mail volume is at its peak and resources are already strained, adding the additional variable of new rates for both the mailers and the Postal Service could be disastrous.

As a major mailer that relies on the Postal Service for its very existence, the implementation of the new rates are very critical. Timing is critical for both our business and the Postal Service. District Photo, Inc. and Images, LLC implore that the above issues be given the utmost consideration. The rate increase is inevitable. A timely implementation in January or later is the only reasonable approach to take.

Sincerely yours,



Terry Blanton

TB:nba

cc: Docket No. R97-1 Service List