

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0058

RECEIVED

FEB 28 4 27 PM '00

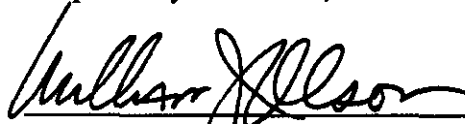
POSTAL RATE AND FEE CHANGES, 2000)

POSTAL RATE AND FEE CHANGES, 2000)
OFFICE OF THE CLERK OF THE COMMISSION
Docket No. R2000-1

VAL-PAK DIRECT MARKETING SYSTEMS, INC.,
VAL-PAK DEALERS' ASSOCIATION, INC., AND
CAROL WRIGHT PROMOTIONS, INC.
FIRST INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO UNITED STATES POSTAL SERVICE
WITNESS VIRGINIA J. MAYES (VP-CW/USPS-T32-1-3)
(February 28, 2000)

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., 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

WILLIAM J. OLSON, P.C.

8180 Greensboro Drive, Suite 1070

McLean, Virginia 22102-3860

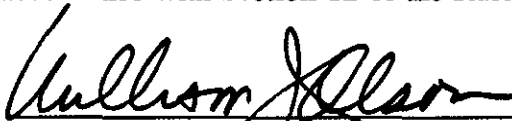
(703) 356-5070

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 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 28, 2000

VP-CW/USPS-T32-1.

Please refer to your testimony at page 10, lines 1-8, which states:

The more highly prepared the mail, the lower the postal cost attributed to that category of mail. The lower the costs attributed to that category of mail, the lower the cost base to which the rate level is applied. If the same cost coverage is assigned to two categories of mail differing only in the degree to which the mailer has prepared the mail, the more highly-prepared mail would have a reduced unit contribution. Thus, as the degree of preparation increases over time, all else equal, *the coverage required to obtain the same contribution also increases.* [Emphasis added.]

- a. Do you agree that if the same unit contribution is to be derived from two categories of mail, one of which has a lower unit cost than the other, then it is a mathematical truism that the category of mail with a lower unit cost will have a higher percentage markup, as your statement implies? Please explain any disagreement.
- b. Would you agree that for any given markup on the higher-cost category of mail, then from a strictly mathematical perspective essentially only one percentage markup on the lower-cost mail will result in the same unit contribution which you posit in your above-quoted testimony? (Ignore issues of rounding.) Please explain any disagreement.
- c. Before finalizing your testimony, did you use your proposed percentage markups to compute and compare the unit contribution from commercial ECR and Regular Standard A Mail to ascertain whether those unit contributions were essentially the same, in conformance with your above-quoted testimony? If you

did not make such an effort, then in light of your above-quoted testimony please explain why did you not consider it necessary to do so?

VP-CW/USPS-T32-2.

Please refer to Attachment A to VP-CW/USPS-T32-2, "STANDARD A COMMERCIAL: TEST YEAR AFTER RATES FINANCES."

- a. Please confirm that the data shown in rows 1-3 agree with the data in the corresponding rows under Standard Mail (A) in Exhibit USPS-32B, page 1.
- b. Please confirm that entries in rows 7-9 of Attachment A represent unit values corresponding to rows 1-3, derived through division by the appropriate volumes shown in rows 4-6, the latter being after rates volume forecasts taken from USPS-LR-I-166, WP1, page 3, for the Regular and ECR Subclasses.
- c. If you cannot confirm (a) and (b) above in whole or in part, please explain.

VP-CW/USPS-T32-3.

Attachment A to VP-CW/USPS-T32-2, part C, column 4, indicates that the proposed unit contributions from less highly-prepared commercial Standard A Regular Mail is 5.48 cents, while the proposed markup on more highly-prepared commercial ECR mail is 8.19 cents.

- a. Would you agree that you propose a unit contribution from commercial ECR mail that is 2.71 cents, or 49 percent, more than the unit contribution from Regular? If you do not agree, please explain fully.

- b. Would you agree that your testimony quoted in VP-CW/USPS-T32-1 contains nothing which justifies a percentage markup on commercial ECR that goes beyond the same unit contribution from Regular Standard A Mail? Unless your answer is an unqualified negative, please explain (i) how your testimony justifies a substantially higher unit contribution, and (ii) what limit (if any) your testimony implies for the unit contribution (and the corresponding percentage markup) for more highly workshared ECR mail.

ATTACHMENT A TO VP-CW/USPS-T32-2

STANDARD A COMMERCIAL: TEST YEAR AFTER RATES FINANCES

DESCRIPTION	(1) VOL VBL COST	(2) REVENUE	(3) REVENUE/ COST (%)	(4) CONTRI- BUTION
-----	-----	-----	-----	-----
A. TOTAL VALUES (\$, 000) (Note a)				
1 Regular	6,823,933	9,070,437	132.9	2,246,504
2 ECR	2,471,864	5,162,024	208.8	2,690,160
3 Total Commercial	9,295,797	14,232,461	153.1	4,936,664
B. VOLUMES (000) (Note b)				
4 Regular	40,998,656			
5 ECR	32,828,211			
6 Total Commercial	73,826,867			
C. UNIT VALUES, cents/unit (Note c)				
7 Regular	16.64	22.12	132.9	5.48
8 ECR	7.53	15.72	208.8	8.19
9 Total Commercial	12.59	19.28	153.1	6.69

- Notes: a From Mayes, USPS-T-32, Exhibit USPS-32B, page 1.
b From USPS-LR-I-166, WP1, page 3.
c Costs and revenues in Part A divided by corresponding volumes in Part B.