

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

RECEIVED

OCT 16 4 49 PM '01

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS HOPE TO INTERROGATORIES OF VAL-PAK DIRECT  
MARKETING SYSTEMS, INC. AND VAL-PAK DEALERS' ASSOCIATION, INC.  
(VP/USPS-T31—1-8)**

The United States Postal Service hereby provides the responses of witness Hope to the following interrogatories of Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers' Association: VP/USPS-T31—1-8, filed on October 2, 2001.

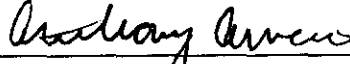
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
\_\_\_\_\_  
Anthony Alverno  
Attorney

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2997; Fax -6187  
October 16, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

**VP/USPS-T31-1:**

May Detached Address Labels ("DALs") be used with enveloped Standard ECR flats?

**RESPONSE:**

Yes. See DMM A060.1.2.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

**VP/USPS-T31-2:**

- a. For pieces known as "wraps," what are the minimum dimensions for the outer host piece in a Standard ECR DAL flat mailing?
- b. What terminology is used to describe such pieces (i) in the DMM and (ii) conversationally?
- c. What provisions in the DMM describe or govern such pieces?
- d. Can the dimensions of inserts exceed the dimensions of the host piece? If so, (i) by how much and (ii) what determines the dimension of the entire mailpiece?

**RESPONSE:**

- a. See DMM C600.1.2 and C820.6.2.
- b. These are referred to as "covers," "short covers," or "protective covers" in the DMM. Conversationally, these pieces may be referred to by mailers as "wraps," "half covers," or other terms.
- c. DMM C050 discusses basic sizes for flats. DMM C600 specifies the maximum dimensions for ECR flats. DMM C820.6.2 provides the standards for all short covers, including covers for ECR pieces.
- d. It is my understanding that, in the DMM, "inserts" refer to pieces placed in envelopes. Enclosures may be placed in a host ECR piece. The enclosures may exceed the dimensions of the outer cover or "host piece," provided that the overall dimensions of the piece do not exceed the limits specified in DMM C600.1.1d.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

**VP/USPS-T31-3:**

- a. In a Standard ECR DAL flat mailing consisting of wraps, is there any limit on the number of inserts contained within a host piece? If so, what is that limit?
- b. In a Standard ECR DAL flat mailing consisting of wraps, are there any limitations on the thickness, nature, form, or content of the inserts contained within a host piece? If so, what are those limitations?
- c. Are there any minimum dimensions for inserts within a host piece?
- d. May an insert consist of an enveloped letter?
- e. May an insert consist of an enveloped flat?

**RESPONSE:**

- a. It is my understanding that the DMM does not specify a limit on the number of attachments and enclosures.
- b. See DMM C600, which specifies the maximum thickness of an ECR flat. ECR flats are subject to general guidelines for mailability (*i.e.*, they must not contain content or items that are prohibited from being mailed) and cannot carry content that is required to be mailed at First-Class Mail rates.
- c. It is my understanding that the DMM does not specify limits.
- d. Yes, as long as the contents in the enveloped letter are eligible to be mailed at the appropriate Standard Mail ECR rate.
- e. Yes, as long as the contents in the enveloped flat are eligible to be mailed at the appropriate Standard Mail ECR rate.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

**VP/USPS-T31-4:**

Do local acceptance clerks verify DALs prepared with flats to ensure that they meet applicable mail processing category requirements as presented by the mailer?

**RESPONSE:**

It is my understanding that they do.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

**VP/USPS-T31-5:**

In a flat-shaped Standard ECR DAL mailing consisting of wraps, what are the minimum dimensions of the host piece?

**RESPONSE:**

See response to VP/USPS-T31-2a.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

**VP/USPS-T31-6:**

Do acceptance clerks ever collect additional postage (surcharge) or disqualify a mailing for exceeding the maximum flat dimensions? Please explain.

**RESPONSE:**

Yes, acceptance clerks are responsible for collecting additional postage in the event that it is determined that an ECR flat-size mailing exceeds the size limits in DMM C600.1.1. No data are collected on the extent to which flat mailings are determined to be ineligible for mailing or a particular rate category due to excess dimensions.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

**VP/USPS-T31-7:**

Your testimony at page 9, lines 15-17 states that Standard ECR High Density and Saturation letters must bear delivery point barcodes and meet other Postal Service requirements for automation compatibility.

- a. *Will High Density and Saturation Standard ECR letters be required to pass the MERLIN test?*
- b. *Aside from MERLIN, what other requirements must such letters meet in order to qualify for your proposed Standard ECR letter rates?*

**RESPONSE:**

- a. If the classification proposal is implemented, Standard Mail ECR High Density and Saturation letters will be subject to the verification process for automation mailings. It is my understanding that MERLIN is part of the verification process for automation mailings. If MERLIN is not available, automation mailings are subject to manual verification.
- b. See DMM C810.1.0 – 7.0 for automation requirements for letters.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

**VP/USPS-T31-8:**

Your testimony at page 13 states that “[i]f a goal of rate design were to have equal implicit coverage...”

- a. In your opinion, to what extent is a rate design goal of implicit coverage appropriate?
- b. Under what conditions or circumstances is a rate design goal of equal implicit coverage either inappropriate or ripe for being over-riden by other considerations?
- c. Please state clearly whether it is your goal, or the Postal Service's goal, to have equal implicit coverage for lighter weight and heavier weight parcels within Standard ECR.
- d. Within the Standard ECR subclass, for your proposed rates, what is the implicit coverage for (i) letters, (ii) flats and (iii) parcels?
- e. Within the Standard ECR subclass, for your proposed rates, what is the implicit coverage for (i) Basic, (ii) High Density and (iii) Saturation letters?
- f. Within the Standard ECR subclass, for your proposed rates, what is the implicit coverage for (i) Basic, (ii) High Density and (iii) Saturation flats?
- g. Within the Standard ECR flat-shaped mailstream, for your proposed rates, what is the implicit coverage for (i) piece-rated flats and (ii) pound-rated flats?

**RESPONSE:**

- a. As noted in my testimony, on page 12, footnote 11, cost coverage is a measure used primarily at the subclass level; in each commercial subclass, there is a rate design goal of meeting the cost coverage specified by the rates level witness (who, in this Docket, is Witness Moeller (USPS-T-28)). At the subcategory of subclass level, estimates of implicit coverage can on occasion be used for illustrative purposes, as in

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

the reference cited in the interrogatory. Estimates of implicit coverage are not used by all witnesses, however. The use of implicit cost coverage in my testimony is not intended to imply that other rate design witnesses should incorporate evaluation of implicit coverage(s) into their testimony.

- b. In some instances, implicit coverage can be an indicator of a potential misalignment of costs and rates. A more detailed answer to this question would depend on the subcategory or subcategories of subclass being considered, because often an analysis of implicit coverage requires making some simplifying assumptions. Therefore, when used, it can be a guide, or tool, in the ratemaking process. In the case of Standard Mail ECR, the analysis of implicit coverage for piece-and pound-rated pieces in my testimony represents updated data from Docket No. R2000-1, where Witness Moeller (USPS-T-35) presented data supporting a proposed lower pound rate.
- c. That was and is not a goal of in the proposal at issue in this proceeding.
- d. As described above, analyses of implicit coverages may be useful under certain circumstances when performed with a specific illustrative purpose. While some of the particular data requested here may be calculated, their value as an illustrative tool may be limited: The calculation can be

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

performed for ECR letters and nonletters. Implicit coverage for letters, using test year after rates revenue and test year unit costs, is 225.9 percent for ECR letters and 232.5 percent for ECR nonletters.

- e. Cost data are not available by density tier, so the implicit coverages cannot be calculated. See also response to subpart (d).
- f. Cost data are not available by density tier, so the implicit coverages cannot be calculated. See also response to subpart (d).
- g. This calculation can be performed for piece-and pound-rated nonletters, using test year after rates revenue. Because data are not available at the 3.3 ounce breakpoint, the following are figures using a 3.0 ounce breakpoint and 3.5 ounce breakpoint.

The implicit coverage for piece-rated ECR nonletters under 3.0 ounces is 217.2 percent. The implicit coverage for pound rated ECR nonletters greater than or equal to 3.0 ounces is 256.3 percent. The implicit coverage for piece-rated ECR nonletters under 3.5 ounces is 214.1 percent. The implicit coverage for pound-rated ECR nonletters greater than or equal to 3.5 ounces is 252.6 percent.

See also response to subpart (d).

**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.

  
\_\_\_\_\_  
Anthony Alverno

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2997; Fax -6187  
October 16, 2001