

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

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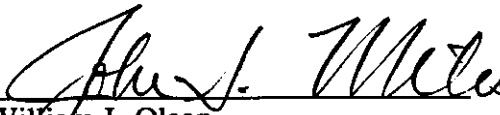
POSTAL RATE AND FEE CHANGES, 2001)

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R2001-1

VAL-PAK DIRECT MARKETING SYSTEMS, INC.
AND VAL-PAK DEALERS' ASSOCIATION, INC.
SECOND INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS THOMAS W. HARAHUSH (VP/USPS-T5-7-16)
(October 30, 2001)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers' Association, 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. and
Val-Pak Dealers' Association, 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.



John S. Miles

October 30, 2001

VP/USPS-T5-7.

Please refer to your response to VP/USPS-T5-1.

- a. Would the detached address label (“DAL”) accompanying a merchandise sample be recorded as a letter-shaped piece, a flat-shaped piece, or a parcel-shaped (*i.e.*, as a nonletter, non-flat-shaped) piece?
- b. For those city carrier Segment 7 costs distributed on the basis of the number of pieces handled, would the cost of handling DALs accompanying a Standard ECR merchandise sample be distributed to letters, flats, or parcels?

VP/USPS-T5-8.

Please assume that a carrier has a Standard ECR Saturation mailing consisting of DALs and unaddressed flat-shaped “wraps.”

- a. Would the Carrier Cost Systems (“CCS”) include the number of DALs in the count of pieces?
- b. Unless your answer to part a is an unqualified negative, would the DALs be recorded as letter-shaped or flat-shaped pieces?
- c. Would the CCS include the number of wraps in the count of pieces?
- d. Unless your answer to preceding part c is an unqualified negative, would the wraps be recorded as letter-shaped or flat-shaped pieces?
- e. For those city carrier Segment 7 costs distributed on the basis of the number of pieces handled, would the cost of handling DALs accompanying Standard ECR wraps be distributed to letters, flats, or parcels?

VP/USPS-T5-9.

Please assume that a carrier has Bound Printed Matter (“BPM”) items with an accompanying DAL.

- a. Would the CCS record the DAL accompanying the BPM item as a separate piece?
- b. Unless your answer to preceding part a is an unqualified negative, would the DAL be recorded as a letter-shaped or flat-shaped piece?
- c. Should the DAL be recorded as a Standard Regular piece, a Standard ECR piece, or a BPM piece? Please explain.
- d. For those city carrier Segment 7 costs distributed on the basis of the number of pieces handled, would the cost of handling DALs accompanying BPM items be distributed to BPM letter-shaped pieces, or to Standard ECR letter-shaped pieces, or to some other category? Please explain.

VP/USPS-T5-10.

The Summary Description of USPS Development of Costs by Segments and Components, FY 2000, USPS-LR-J-1, Section 7.2.4 states that the volume variable cost of access time is distributed to the pertinent classes and subclasses of mail on the basis of the class and subclass proportions of pieces constituting each aggregate in the FY 1999 CCS volume data.

- a. When CCS volume data are recorded, do those data records distinguish between letters, flats, and parcels?

- b. Are the CCS volume data used to estimate the volume variable access cost of city carrier delivery for First-Class letters, flats, and parcels separately? If volume variable access costs are not distributed as a separate component to First-Class letters, flats, and parcels, do the access costs that are distributed to First-Class Mail nevertheless form part of the aggregate delivery cost that is distributed to First-Class letters, flats, and parcels?
- c. Are the CCS volume data used to estimate the volume variable access cost of city carrier delivery for Standard Regular letters, flats, and parcels separately?
- d. Are the CCS volume data used to estimate the volume variable access cost of city carrier delivery for Standard ECR letters, flats, and parcels separately?

VP/USPS-T5-11.

The Summary Description of USPS Development of Costs by Segments and Components, FY 2000, USPS-LR-J-1, Section 7.5.4 states that the volume variable costs of street support time are distributed to the classes and subclasses of mail “in the same proportions as are the office and other street time component costs for letter routes and special purpose routes.”

- a. Does the reference to “office costs” mean city carrier in-office costs recorded under Cost Segment 6? Please explain any negative answer.
- b. Do the city carrier Segment 7 volume variable costs (including volume variable street support costs) that are distributed to the classes and subclasses of mail

form the basis for estimating delivery costs for letters, flats, and parcels separately within each class and subclass of mail?

- c. Please explain the rationale for including office costs as part of the basis for distributing the volume variable costs of street support time to the classes and subclasses of mail.
- d. Are volume variable street support costs distributed to letters, flats, and parcels separately within each class and subclass of mail? If volume variable street support costs are not distributed as a separate component to letters, flats, and parcels, do those costs nevertheless form part of the aggregate delivery cost that is distributed to letters, flats, and parcels within each subclass?
- e. Are street support costs identified as training and clocking in and out the only street support costs which are distributed based on In-Office Cost System (“IOCS”) tallies?

VP/USPS-T5-12.

The Summary Description of USPS Development of Costs by Segments and Components, FY 2000, USPS-LR-J-1, Section 7.3.4 states that the volume variable cost of load time is “distributed to the pertinent classes and subclasses of mail on the basis of proportions of pieces.”

- a. Are the CCS volume data used to estimate the volume variable load costs of city carrier delivery for First-Class letters, flats, and parcels separately? If volume variable load costs are not distributed as a separate component to First-Class

letters, flats, and parcels, do the load costs that are distributed to First-Class Mail nevertheless form part of the aggregate delivery cost that is distributed to First-Class letters, flats, and parcels?

- b. Are the CCS volume data used to estimate the volume variable load costs of city carrier delivery for Standard Regular letters, flats, and parcels separately? If volume variable load costs are not distributed as a separate component to Standard Regular letters, flats, and parcels, do the load costs that are distributed to Standard Regular Mail nevertheless form part of the aggregate delivery cost that is distributed to Standard Regular letters, flats, and parcels?
- c. Are the CCS volume data used to estimate the volume variable load cost of city carrier delivery for Standard ECR letters, flats, and parcels separately? If volume variable load costs are not distributed as a separate component to Standard ECR letters, flats, and parcels, do the load costs that are distributed to Standard ECR Mail nevertheless form part of the aggregate delivery cost that is distributed to Standard ECR letters, flats, and parcels?

VP/USPS-T5-13.

Please refer to LR-J-131, WP1, Page H, tab COST, column 2, which shows unit delivery costs for ECR letters and flats in various presort conditions.

- a. Were you, or any of the library references sponsored by you, the source of the unit delivery cost estimates for ECR letters and flats?

- b. If your answer to preceding part a is in the affirmative, please indicate the data (and source of those data) that went into the estimated unit delivery costs for ECR letters and flats.
- c. If your answer to preceding part a is an unqualified negative, please indicate the source of the unit delivery cost data for ECR letters and flats, and the sponsoring witness for those data.
- d. Do the delivery costs for Standard ECR Mail shown in the above-referenced spreadsheet include all volume variable city carrier costs included in Cost Segments 6 and 7, or are some (or all) of the costs in Cost Segment 6 included under Mail Processing?
- e. Do the delivery costs for Standard ECR Mail shown in the above-referenced spreadsheet include all volume variable rural carrier costs included in Cost Segment 10? If not, please explain how those costs are apportioned between (i) Mail Processing and (ii) Delivery.

VP/USPS-T5-14.

Tables 1-4 in your testimony show the distribution of city carrier costs of each route type to the different classes and subclasses of mail, and, in a similar format, Tables 5-8 show the distribution of rural carrier costs for evaluated factors to the different classes and subclasses of mail.

- a. In which library reference, or where else, do you show the costs for each city carrier route type or each evaluated rural route factor and the computation of the

actual amount of carrier costs attributed to each class and subclass of mail?

Please provide a specific reference; *e.g.*, if to a spreadsheet, the cell or cells where the data sought can be found.

- b. Once the volume variable carrier costs attributed to each class and subclass of mail have been determined, are you the witness responsible for determining the delivery costs for each rate cell within each class and subclass (as shown, for instance, in USPS-LR-J-131, Page H)? If you are not the witness with this responsibility, please indicate who is, and where the delivery costs by rate cell are developed.

VP/USPS-5-15.

The Summary Description of USPS Development of Costs by Segments and Components, FY 2000, USPS-LR-J-1, Section 6.2.1 states that costs incurred by “checking or preparing a vehicle ... are transferred to street support, which is analyzed in Cost Segment 7 as an overhead of carrier activity.”

- a. Is “checking or preparing a vehicle” the same as “obtaining and loading the vehicle and preparing mail at the vehicle and at relay boxes” identified in “Street support time” in Section 7.0.2? If they are not identical, please explain how they differ.
- b. Are the costs incurred in “checking or preparing a vehicle”:
- (i) entirely allocated between classes and subclasses based upon IOCS tallies?

- (ii) partially allocated between classes and subclasses based upon IOCS tallies?
 - (iii) entirely allocated between classes and subclasses based upon CCS data?
 - (iv) partially allocated between classes and subclasses based upon CCS data?
- c. If the answer to part a is negative, are the costs incurred in “obtaining and loading the vehicle and preparing mail at the vehicle and at relay boxes”:
- (i) entirely allocated between classes and subclasses based upon IOCS tallies?
 - (ii) partially allocated between classes and subclasses based upon IOCS tallies?
 - (iii) entirely allocated between classes and subclasses based upon CCS data?
 - (iv) partially allocated between classes and subclasses based upon CCS data?

VP/USPS-5-16.

The Summary Description of USPS Development of Costs by Segments and Components, FY 2000, USPS-LR-J-1, Section 6.0.1 states that “[t]he total city carrier costs are prorated between office activity and street activity on the basis of the proportion of carrier time spent in each activity. Proportions of time are determined from work measurement samples provided by the In-Office Cost System (IOCS).” Section 7.0.1 has similar language.

- a. Do IOCS tallies alone determine the allocation of city carrier costs between Cost Segment 6 and Cost Segment 7? If your answer is not an unqualified affirmative, please explain how this allocation is determined.

- b. Please identify which activities, if any, reflected in Cost Segment 7 are captured by IOCS tallies.