

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

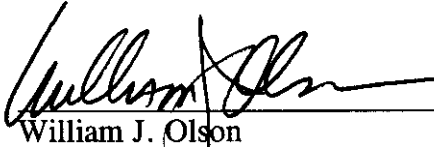
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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY  
Docket No. R2001-1

POSTAL RATE AND FEE CHANGES, 2001 )

VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
AND VAL-PAK DEALERS' ASSOCIATION, INC.  
FIFTH INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS LARAINÉ B. HOPE (VP/USPS-T31-32-35)  
(October 31, 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

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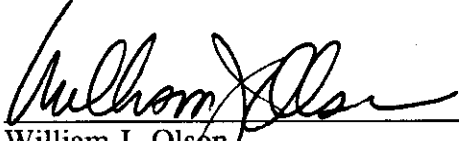
Counsel for:

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.

  
William J. Olson

October 31, 2001

**VP/USPS-T31-32.**

Please refer to your response to VP/USPS-T31-8, part d.

- a. Please provide the cost and revenue data which you used to compute the implicit coverages for letters and nonletters.
- b. Please indicate the sources from which you obtained the cost and revenue data.
- c. Please confirm that you computed the implicit coverages by dividing each category's revenues by its respective costs. If you do not confirm, please explain.
- d. Do the revenue data which you used to compute your implicit coverages include all revenues derived from Standard ECR letters and nonletters, respectively? If not, please explain in full.
- e. Do the cost data which you used to compute your implicit coverages include all volume variable costs attributed to Standard ECR letters and nonletters, respectively, or just some portion of total costs? If just some portion, please list which costs and explain.
- f. Please assume that some of the costs attributed to letters were in fact caused by items whose revenues were attributed to nonletters. Would such a circumstance reduce whatever value implicit coverages may have as an "illustrative" tool? Please explain any negative answer.

**VP/USPS-T31-33.**

Please refer to your response to VP/USPS-T31-15.

- a. Please define the phrase “preserve current rate relationships” as you use it in response to part a of the above-referenced interrogatory. In your response, please indicate whether you intended the phrase to have any quantitative or quantifiable meaning. For instance, should the relationship of one rate cell to another fall within some pre-specified range? If your definition of “preserving current rate relationships” has quantitative implications, please be as explicit and precise as possible concerning what you intended.
- b. Please define the phrase “disproportionate increases” as you use it in response to part a of the above-referenced interrogatory. Please indicate whether you intend this phrase to have any quantitative interpretation or meaning.
- (i) Please indicate the rate cell or cells in your proposed rate design for Standard ECR Mail that have the highest percentage rate increases, and specify what those percentage rate increases are.
  - (ii) Please indicate what, in your opinion, the rate cell (or cells) with the highest percentage increase(s) should be compared to as a basis for judging whether the proposed increase represents a “disproportionate” increase.
  - (iii) Regardless of how you respond to preceding part (ii), please comment on the appropriateness of comparing the rate cell (or cells) with the highest proposed percentage increase(s) to the average percentage increase proposed for the entire subclass as a basis for judging whether the highest percentage increases are “disproportionate.” With respect to this

benchmark, please indicate whether you perceive any threshold as indicative of “disproportionate.”

- (iv) Regardless of how you respond to preceding part (ii), please comment on the appropriateness of comparing the rate cell (or cells) with the highest proposed percentage increases to the rate cell (or cells) with the lowest percentage rate change proposed for the entire subclass as a basis for judging whether the highest percentage increases are “disproportionate.”
- With respect to this benchmark, please indicate whether you perceive any threshold as indicative of “disproportionate.”

**VP/USPS-T31-34.**

Please refer to your response to VP/USPS-T31-13.

- a. For each of the rate categories shown in USPS-LR-J-131, WP1, Page H, COST, please provide the Postal Service’s best estimate of the other volume variable Test Year unit costs, including associated indirect costs, specified in your response to part a of that interrogatory. If estimates are not available for all of those unit costs, please provide such estimates as are available.
- b. Your response to part b of the above-referenced interrogatory states that although the Test Year mail processing and unit costs shown in your work paper have not been reconciled to estimated total CRA costs for the Test Year, they “should” roll up for those cost segments. The last sentence in your response, which is somewhat conclusory, states that no reconciliation is needed.

- (i) Please state what cost segments are encompassed in your estimated mail processing and delivery unit costs.
- (ii) Please provide an explanation as to why you have confidence that the estimated unit costs would in fact roll up to and reconcile with the CRA total rollforward costs for those cost segments if you or the Postal Service were to make the requisite effort. Should you opt to do such a reconciliation, please provide the results.

**VP/USPS-T31-35.**

Please refer to your response to VP/USPS-T31-14, especially part d.

- a. From what witness did you obtain the revenue data included in your Table #3?
- b. Do the revenues reflect all revenues derived from items above and below the indicated breakpoints?
- c. Do the costs reflect all costs attributed to items above and below the indicated breakpoints? Please explain any answer that is not an unqualified affirmative.