

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

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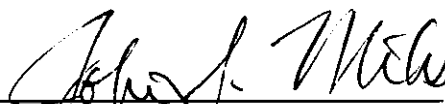
POSTAL RATE AND FEE CHANGES, 2001)

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

VAL-PAK DIRECT MARKETING SYSTEMS, INC. AND
VAL-PAK DEALERS' ASSOCIATION, INC.
SEVENTH INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS LARAIN B. HOPE (VP/USPS-T31-39-43)
(November 26, 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,

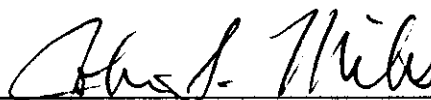


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CERTIFICATE OF SERVICE

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

November 26, 2001

VP/USPS-T31-39.

Please refer to your response to VP/USPS-T31-8. In part d, you indicated that you computed the implicit coverages for letters and nonletters “using test year after rates revenue and test year unit costs.”

- a. What were (i) the amounts, and (ii) the source of the test year after rates (“TYAR”) revenues for letters and nonletters which you used to compute the implicit coverages in your response?
- b. Did you compute unit revenues to compare with unit costs, or did you compare total revenues with total costs for letters and nonletters, respectively? If you computed unit revenues to compare with unit costs, please answer questions c through i.
- c. When computing unit revenues, please specify the volumes that you used for letters and nonletters, and state whether the volume which you used for nonletters either (i) counted and included both detached address labels (“DALs”) and the accompanying nonletter (*i.e.*, covers or parcels), or (ii) omitted DALs from the volume used to compute unit revenues.
- d. If DALs were counted as part of the volume used to compute unit revenues:
 - (i) Were they counted as letters or nonletters?
 - (ii) How much of the revenue was attributed to the DALs?
- e. In your computation of TYAR unit cost for letters, did you include any costs, including but not limited to city carrier and rural carrier costs, that were attributable to the handling of DALs?

- (i) If not, please indicate how you excluded the volumes of DALs, and the associated costs thereof, from the city carrier and rural carrier database.
 - (ii) If your computation of unit costs did include any costs that were attributable to DALs, please explain whether in your opinion the revenues in the denominator of your implicit coverage calculation for letters is fully consistent with the costs used in the denominator. That is, if the revenues from DAL mailings are never recorded as being from letters, why should any costs attributable to such mailings be distributed to and included in the unit cost of letters?
- f. In your computation of TYAR unit cost for letters, did the mail processing costs, and/or city carrier costs, and/or rural carrier costs include or exclude any costs from letter-shaped pieces that weighed more than 3.3 ounces?
- g. If your response to the preceding interrogatory is to the effect that you included any costs attributable to letter-shaped pieces that weighed more than 3.3 ounces, then please explain whether you consider the inclusion of such costs to be consistent with revenues in the numerator of your implicit coverage calculation; *i.e.*, with revenues based only on letters that weighed less than 3.3 ounces.
- h. When you computed the TYAR unit cost for nonletters, did you include in those costs all mail processing costs, and/or all city carrier costs, and/or all rural carrier costs that were recorded as being attributable to the cost of handling DALs?

- (i) If so, please indicate how you estimated the volumes of DALs, and the associated costs thereof, in the city carrier and rural carrier database, and transferred those costs from letters to nonletters. Also, please indicate the amount of the costs of DALs that you transferred from letters to nonletters.
 - (ii) If your computation of unit costs for nonletters did not include any costs that were attributable to handling of DALs, please explain whether in your opinion the revenues in the numerator of your implicit coverage calculation for nonletters is fully consistent with the costs used in the denominator. That is, if all revenues derived from DAL mailings are recorded as being from nonletters, shouldn't all of the costs attributable to such mailings — including the costs of DALs — be distributed to nonletters?
- i. If you consider your calculations of implicit coverages for letters and nonletters to contain any inconsistencies as between your revenue figure in the numerator and your costs in the denominator, please provide recomputed implicit coverages which eliminate all such inconsistencies. If the data are insufficient to eliminate all such inconsistencies, please recompute and provide improved implicit coverages eliminating or reducing inconsistencies to the extent that the available data allow, and indicate what additional data or information you would need to develop implicit coverages for letters and nonletters on a fully consistent basis.

VP/USPS-T31-40.

Would you agree that, when computing implicit coverages, the revenue data used in the numerator and the cost data used in denominator should be as fully consistent as possible if the Commission is to rely on such implicit coverages for rate design purposes? If you do not agree fully, please explain any reservations or disagreement that you might have concerning the desirability of such consistency.

VP/USPS-T31-41.

In your response to VP/USPS/T31-10, you stated that “Standard ECR parcels must bear detached address labels (DALs), which renders them ineligible for special services, as specified in DMM E610.9.2.” What is there about DALs which renders Standard ECR parcels ineligible for special services?

VP/USPS-T31-42.

In your response to VP/USPS-T31-12c, you stated that the ECR parcel rate category “is shape-based, and thus is consistent with the way the Postal Service sorts and delivers mail. Parcels are a separate component of the mail stream; thus, a rate design that recognizes ECR parcels as a separate mail stream, with a distinct rate, is very reasonable and logical.”

- a. Please describe all differences between “the way the Postal Service sorts and delivers” ECR flats accompanied by DALs, and “the way the Postal Service sorts and delivers” ECR parcels, which are always accompanied by DALs.

- b. Please refer to the response to VP/USPS-T39-42. Would you agree that any unaddressed ECR flats accompanied by DALs are almost always handled separately from other flat-shaped mail that carriers case in DDUs? Please explain any disagreement.
- c. Please describe why ECR flats accompanied by DALs would not also constitute a separate component of the mailstream, similar to ECR parcels, which are always accompanied by DALs.

VP/USPS-T31-43.

In your response to VP/USPS-T31-22b, you stated that “[a] change in the passthroughs to increase the Saturation nonletter average rate by 0.2 cent and decrease the Saturation letter average rate by 0.2 cent would impact other rates as well as the overall ECR average per piece increase.”

- a. What “other rates” would such a change impact, and by how much?
- b. How would such a change affect the “overall ECR average per piece increase”?
- c. How would such a change affect the contribution to institutional costs from Standard ECR?