

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

POSTAL RATE AND FEE CHANGES, 2005 )

Docket No. R2005-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND  
VALPAK DEALERS' ASSOCIATION, INC.  
FIRST INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS MAURA ROBINSON (VP/USPS-T27-1-9)  
(April 14, 2005)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Valpak Direct Marketing Systems, Inc. and Valpak 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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April 14, 2005

**VP/USPS-T27-1.**

Please refer to your testimony, USPS-T-27, page 13, where you say that “generally speaking, the resulting rates and fees [from a rate case] are not revisited on a periodic basis absent a Postal Service determination that a rate change request is necessary.”

Please consider a situation where the Commission believes that a new rate relationship is meritorious and should be recommended, but decides to move in **steps** toward that new relationship in order to impose a series of small effects on mailers instead of one large effect. An example might be that a cost coverage should be changed but will be changed in three moderate **steps** instead of a single large one. Another example could be the introduction of a worksharing discount, or surcharge, or some other rate signal (possibly associated with the redesign of a product), which would lead to an increase in efficiency, where recognition of a cost difference associated with the rate signal would proceed in **steps** from a passthrough of 40 percent, to 60 percent, to 80 percent, to 100 percent.

- a. Please provide any examples of which you are aware where the Postal Service has initiated a separate case just to take a **step** of the kind discussed in this question.
- b. Would you agree that there have been previous occasions where Congress has decided to phase in desired changes in a series of steps, and that it specified that a **step** was to be taken each year, regardless of whether a rate case happened to occur at each of the appropriate times? If you agree, please provide examples of such occasions.

- c. Please explain the extent to which it is your position that taking steps toward desirable new positions should be constrained and spaced by the occasioning of the Postal Service making “determination[s] that a rate change request is necessary,” and that, if such determinations should turn out to be made only every five years (due, say, to success in cost control efforts), a four-step adjustment could take as long as 15 years to bring about. If that is not your position, please explain in detail why it is not.
- d. Suppose that the Commission and various mailers share a concern that an inequitable rate situation exists, but that it may not rise to the level of being well-suited for a complaint proceeding. If an omnibus rate case apparently suited to including consideration of the inequitable situation occurs, but the Postal Service decides, for one reason or another, that it should be an across-the-board case, please explain the extent to which it is your position that those concerned about the inequitable situation should simply be told to wait for as many years as the Postal Service requires to make a “determination that a rate change is necessary.”
- e. Suppose, at the end of one of the five-year periods discussed in preceding part c, the Postal Service decides that an across-the board increase should be proposed. Explain whether it then would be your position that the Commission or any mailer interested in taking the next step toward the more desirable position should simply be told to wait another few years for that step to occur.

**VP/USPS-T27-2.**

Please refer to your testimony, USPS-T-27, page 13, beginning at line 10, where you say that rates may not be revisited on a periodic basis even though:

The reality of changing input prices, productivity and other factors virtually ensures that recommended cost coverages for a test year will not trace precisely the cost coverages that actually result in that year or in any subsequent year prior to a new rate change request. This result is expected and is not inherently unfair or inequitable. [Footnote omitted.]

- a. You mention input prices, productivity, and other factors possibly changing. Do you agree that over a period of several years, such as the interval since Docket No. R2001-1 (which turned out to be settled), the “other factors” that could change extend to (i) major changes in the mechanization and technology used by the Postal Service to process mail, (ii) changes in postal markets, and (iii) substantial changes in the preparation of mail by mailers? Please explain any extent to which you disagree.
- b. Suppose two different products each had a recommended (and expected) cost coverage of 160 percent. Subsequently, when the test year actually occurs, product one has an actual coverage of 130 percent and product two has an actual coverage of 163 percent. Explain whether you would argue in this case that each product traced the recommended coverage, but that neither product traced it “precisely?” Include in your answer a statement on how close the recommended and actual coverages would have to be before you would argue that the tracing had been “precise.”

- c. Consider an actual 130 percent cost coverage that is not even moderately close to the recommended coverage of 160 percent, which would certainly qualify as a failure to “trace precisely.” You state in your testimony that this is “not inherently unfair or inequitable.” If the Commission recommended cost coverages that it believed were fair and equitable and well-aligned with the Postal Reorganization Act of 1970 (“the Act”), and such immoderate variances occurred, please explain why you believe this is “not inherently unfair or inequitable.” In your answer, please draw on and explain all notions of fairness and equity that you had in mind when you made this statement.

**VP/USPS-T27-3.**

Please refer to your testimony, USPS-T-27, page 12, beginning at line 9, where you say that it “would be a breach of the financial management responsibilities established under the Postal Reorganization Act” to “ignore” the “Congressionally-mandated escrow requirement.” Immediately following this, you say: “Therefore, we are faced with the necessity of apportioning the escrow expense in a fair and equitable manner.”

- a. The logic of your statement appears to be that **because** it would be irresponsible to ignore the escrow cost, you (or the Commission) are required to apportion it fairly and equitably. Please state any extent to which you disagree that this is the logic of your statement, focusing specifically on the meaning of the word “therefore.”

- b. Does the fact that it would be irresponsible to ignore the ordinary institutional costs of the Postal Service imply that you (or the Commission) must apportion them fairly and equitably as well? Please explain any answer that is not an unqualified affirmative.
- c. Can you name any costs of the Postal Service that it would be financially responsible to ignore? If yes, please explain what those costs are.
- d. Can you name any costs that the Postal Service ignores when establishing its revenue requirement? If yes, please explain what those costs are.
- e. Can you name any Postal Service costs that should **not** be apportioned in a fair and equitable manner? If yes, please explain what those costs are and why they should not be apportioned fairly and equitably.
- f. In proposing what you believe to be the most fair and equitable apportionment of the escrow costs or any other costs, would you exclude consideration of any factors in section 3622(b)? If yes, please explain.
- g. In its *Opinion and Recommended Decision* in Docket No. MC95-1, page iii, the Commission said: “Congress mandated that ‘[p]ostal rates shall be established to apportion the costs of all postal operations to all users of the mail *on a fair and equitable basis.*’” (Emphasis in original.) When the Commission apportions the institutional costs of the Postal Service to the subclasses of mail and special services, do you contend that it does so on any basis other than a fair and equitable basis? If yes, please explain.

- h. If the **Commission** apportions all other institutional costs of the Postal Service on a fair and equitable basis and **you** see a need to apportion the escrow costs on a fair and equitable basis, not excluding other factors in section 3622(b), please explain whether you see some fundamental difference between the two pools of costs which suggest that what is fair and equitable for one is different from what is fair and equitable for the other. If you do, please explain (i) what those fundamental differences are, and (ii) how those differences interact with notions of fairness and equity to imply different apportionments, being sure to reference your statement on page 4, lines 6-8, where you state that the escrow funds are “treated as an institutional cost of the Postal Service.”
- i. In its *Opinion and Recommended Decision* in Docket No. R90-1, at pages IV-16 and IV-17, ¶¶ 4059 and 4052, respectively, the Commission said: “We utilize total attributable cost in computing a markup index, which is an important tool in developing fair institutional cost distributions, ...” and “We conclude that it continues to be most appropriate to distribute the relative burden of recovery of institutional costs on the basis of coincident application of the policy factors of the Act, with reference to the markup index.” You mention on page 23 that you have some reservations about some uses of the Commission’s markup index, and you note that following a set of indexes could have significant effects on mailers. Nevertheless, would you agree that the markup indexes for the subclasses of mail are one reflection of the apportionment of institutional costs

that the Commission found to be fair and equitable? Please explain any disagreement.

- j. Please confirm that, *ceteris paribus* (meaning mainly in this case that the costs remain the same), applying a uniform proportionate increase to all rates, as in an across-the-board increase, systematically distorts toward the average the markup indexes underlying the original rates. If you cannot confirm, please provide a mathematic proof that this is not the case.
- k. If it is true that an across-the-board proportionate increase systematically distorts the markup indexes of the rates, would it not follow that such an approach is inconsistent with the apportionment of costs that the Commission found fair and equitable? Please explain any extent to which you disagree.

**VP/USPS-T27-4.**

Please refer to your testimony, USPS-T-27, beginning on line 24 of page 5, where you state that “the escrow requirement is a unique financial circumstance that merits a different approach than has been used in prior omnibus rate cases.” (Emphasis in original.)

As a hypothetical, please assume the following outcome occurs. First, suppose an across-the-board increase is implemented as proposed. Second, assume that in FY 2006, after making the required escrow deposit, the Postal Service achieves financial breakeven. Third, to avoid yet another rate increase in FY 2007, assume Congress allows that normal operations in FY 2007 can draw on both the FY 2006 escrow account and the amount that would have been put in escrow in FY 2007, and this in fact allows breakeven in FY 2007.

- a. Would you agree that the rate relationships in FY 2007, which the Act gives the Commission the authority to recommend, should be guided by the factors in section 3622(b) of the Postal Reorganization Act (including any other relevant policies of the Act)? Please explain any disagreement.
- b. Would you agree that the rate relationships existing at the end of FY 2006 would be the result of a prior across-the-board approach, which you characterize as a “different approach,” adopted because of what you refer to as “a unique financial circumstance.” Please explain any disagreement.
- c. Would you agree that carrying the across-the-board rates into FY 2007 would result in rates for that year that were guided by an earlier application of an across-the-board approach instead of by an unencumbered application by the Commission of the 3622(b) factors? Please explain any disagreement.
- d. Under the hypothetical conditions assumed for this question, would you propose that the across-the-board rates be completely withdrawn at the end of FY 2006 and that a new set of rates be implemented, with the same breakeven revenue requirement, and that the new set of rates for FY 2007 be set according to what you call the approach “used in prior omnibus rate cases?” (USPS-T-27, p. 6, l. 1.)
- e. If you would not propose the steps outlined in part d of this question, but would instead argue that the approach used to fund the escrow payments in FY 2006 is also the approach that should be used to fund the more-traditional operating requirements of FY 2007, please explain how the escrow approach

accommodates what you see as the “unique” difference between the burden associated with the escrow and the burden associated with FY 2007 operations.

In other words, how can the escrow approach be something “in contrast to the approach to rate and fee levels usually taken by the Postal Service and the Postal Rate Commission,” justified by unique circumstances, and yet be suitable for the normal operations that warrant “the approach . . . usually taken?” (USPS-T-27, p. 3, ll. 9-11.)

- f. Under the assumptions of this question, please explain how it would be fair to mailers and consistent with the Postal Reorganization Act for the rates in FY 2006 to be based on a “different approach” and for the same rates in FY 2007 to be suitable for covering the ordinary operating requirements of FY 2007.
- g. Under the assumptions of this question, if you believe it would be fair to carry the FY 2006 rates into FY 2007, please explain why this does not suggest that there is really no difference between the financial burden of FY 2006 and the financial burden of FY 2007.
- h. Do you agree that — if the across-the-board proposal is recommended and implemented in this case, and if the rates of that proposal are not rescinded when the “unique” circumstances of the escrow burden no longer apply, but are instead used as a platform relative to which any future rate increases will be proposed — it follows that any consideration given in future cases to the **effects** of rate increases on mailers will be referenced to a set of rates selected under

unique circumstances, and thus would not be referenced to rates set in a normal omnibus case? Please explain any disagreement.

**VP/USPS-T27-5.**

In regard to the cost coverage of ECR mail, please refer to the following statements by Postal Service witnesses. In Docket No. MC95-1, under the heading of “Efficient Mail Pays Disproportionate Contribution,” witness McBride said:

Exactly the same situation occurs in bulk regular third class, where the efficient carrier route category has a cost coverage 94 percentage points higher than the other category. [Tr. 2/223-24.]

And in that same docket, witness Moeller said:

The creation of the subclasses [in third-class mail] will enable the assignment of markups in a manner which may lead to more equitable rates, [and] if we were starting from a situation where the coverages for the three [third-class] subclasses were equal, **a somewhat lower coverage for Enhanced Carrier Route** relative to the combined coverage for the three new subclasses **could be supported**. [Tr. 11/4135, 4275, respectively, emphasis added.]

In support of a proposed coverage of 228 percent for ECR mail in Docket No. R97-1, witness O’Hara said:

This [percentage rate increase for ECR is somewhat below the system-wide average increase, **reflecting a desire to lower the very high cost coverage of this subclass**. [USPS-T-30 at 34, emphasis added.]

In support of a proposed coverage of 208.8 percent for ECR mail in Docket No. R2000-1, percent, witness Mayes testified:

This [percentage rate increase for ECR] is somewhat below the system-wide average increase, **reflecting a desire to lower the**

**very high cost coverage of this subclass.** [USPS-T-32 at 38, emphasis added.]

And in Docket No. R2001-1, in support of proposed coverages for ECR/NECR mail, witness Moeller said:

The Postal Service is proposing a cost coverage of 217.8 percent over volume variable costs for the ECR/NECR subclass, which results in a 6.2 percent average rate increase for ECR, and a 6.5 percent increase for NECR. These are somewhat below the system average increase, **reflecting a desire to lower the very high cost coverage of this subclass.** [USPS-T-28 at 36, emphasis added.]

- a. Please explain the extent to which it has been the Postal Service's intention and expectation that over time the "very high cost coverage" on ECR would and should be reduced from its estimated level of 218.1 percent at the time of Docket No. MC95-1. (Op. & Rec. Dec., App. F.)
- b. Would you agree that if the cost coverage of ECR is not reduced over some period of time following its creation, then the creation of ECR as a separate subclass will have failed to achieve "more equitable rates" and to reflect "market characteristics"? (See response of Postal Service witness Moeller, Docket No. MC95-1, Tr. 11/4135 and 4146, respectively.) If you agree, please explain whether a period that is now approaching 10 years should be long enough to see some results. If you do not agree, please state and explain all reasons for your position.
- c. Please explain whether any reduction in the "very high cost coverage" of ECR should be limited to reductions occurring in omnibus rate cases, of which there have been only three since reclassification, one of which was settled due to

special circumstances. If you do not believe such reductions in cost coverage should be so limited, please explain what other ways of reducing the coverage should be considered.

- d. Please confirm that, by virtue of the across-the-board proposal in the instant docket, it is the Postal Service's position that yet another opportunity to reduce the "very high cost coverage" of ECR should be lost and that the existing situation should be perpetuated. Please explain fully any failure to confirm.
- e. If a relevant next case (meaning a case candidate for reducing the "very high cost coverage" of ECR) after the instant docket is characterized by important product redesign proposals, please explain whether it would be the Postal Service's position that that next case should not be used as well to adjust relative cost coverages, on the grounds of limiting the effects on mailers.

**VP/USPS-T27-6.**

Please consider the proposed cost coverage for ECR Standard Mail.

- a. Please identify, by page and line references, the specific places in your testimony where you discuss the proposed cost coverage for ECR mail.
- b. Please clarify whether your assessment of the proposed ECR cost coverage focused on the suitability of its absolute level (in view of the section 3622(b) factors) or on the proximity to the cost coverage recommended in Docket No. R2001-1, the latter of which seems to be suggested by your discussion of markup indexes beginning on line 7 of page 23 of your testimony, USPS-T-27.

- c. USPS-LR-K-114 shows the proposed markup index for ECR to be 1.622 (under Commission costing) and the corresponding markup index of Docket No. R2001-1 to be 1.560.
- (i) Please explain whether the increase from 1.560 to 1.622 is one of the comparisons you had in mind when you said on line 1 of page 24 of your testimony that “most of the relative relationships resulting from the prior docket are maintained.”
  - (ii) Please state whether it would be your proposal that the index level of 1.622 should become part of the “cumulative evaluation of the rate-making criteria and the relative weightings of each” to which you refer beginning on line 11 of page 23 of your testimony.
    - (a) If you believe it should become part of the “cumulative evaluation,” please explain how it is fair to ECR mailers for all of their future rates to receive a step increase based on what you refer to in other places as a unique circumstance in this case.
    - (b) If you do not believe it should become part of the “cumulative evaluation,” please explain how its effect should be removed.
- d. Please refer to Exhibit USPS-27D in your testimony, showing a rate increase for ECR mail of 5.5 percent and for ECR Nonprofit mail of 6.0 percent, and to witness Taufique’s testimony, USPS-T-28, page 11, lines 17-18, proposing rate increases for the same categories of 5.6 percent and 5.9 percent. Please explain which of these figures is correct, or present the correct figures.

- e. In evaluating the effects of the proposed cost coverage of ECR on mailers, please explain the consideration you gave to the apparent fact that, under your proposal, Nonprofit ECR mailers are to receive a larger increase than commercial ECR mailers.
- f. Suppose Public Law 106-384 were interpreted to require that Nonprofit ECR mailers must receive a rate increase of 13 percent, as referred to by witness Taufique (USPS-T-28) on pages 11–12 of his testimony.
  - (i) Please explain whether you would regard an increase of 13 percent for the preferred category of Nonprofit ECR to be fair and equitable and to be acceptable under the unique circumstances of this case.
  - (ii) If you would not regard the 13-percent increase to be acceptable, please explain what steps you would recommend to reduce that effect.
  - (iii) If reducing the effect on Nonprofit ECR mailers were seen to be a desirable goal, please explain why reducing the cost coverage on ECR mail would not be an acceptable way to accomplish that goal, especially in view of the fact that the cost coverage of ECR is extremely high and that the proposal is to increase its markup index, as discussed in part c of this question.

**VP/USPS-T27-7.**

Please refer to the following statements from the *Opinion and Recommended Decision* in Docket No. MC95-1.

Quantitative and qualitative evidence in the record does support a finding that there are **market differences** between carrier route and noncarrier route Standard Mail. The Commission recommends the creation of an Enhanced Carrier Route subclass to reflect this. [p. I-7, ¶ 1017, emphasis added.]

The Commission adheres to the view that the classes should only be subdivided when a valid reason to do so exists, such as to allow better application of the statutory ratemaking criteria. [p. III-8, ¶ 3019.]

**Large differences in own-price elasticities** are clearly important evidence supporting separate treatment under § 3622(b)(2). [p. III-45, ¶ 3120, emphasis added.]

The Commission is satisfied that the proposed Enhanced Carrier Route subclass has **distinct demand characteristics** which indicate differences in value to senders. [p. III-46, ¶ 3121, emphasis added.]

The Commission concludes, based on this record, that the only benefit of disaggregating subclasses further would be the ability **to reflect differences in demand** or other non-cost factors of the Act in separate markups.” [p. IV-115, ¶ 4253, emphasis added.]

Fourth, the **own-price elasticities and other demand characteristics** of carrier route and noncarrier route mailers are sufficiently different so that separate rates and discounts for carrier route and noncarrier route mail should improve the equity and economic efficiency of the postal rate structure. [p. V-189, ¶ 5460, emphasis added.]

Please refer also to the following statement from the *Opinion and Recommended*

*Decision* in Docket No. R77-1:

If presorted first-class constitutes a ‘class of mail’ or ‘type of service’ for purposes of [§ 3622(b)], it follows that the rate adopted **must** be based on an **independent application of the § 3622(b) factors**. [Op. & Rec. Dec., Docket No. R77-1 at 241, fn. 1,7, emphasis added.]

In addition, please note that the own-price elasticity of quantity demanded of ECR is estimated by witness Thress to be -1.093 (42 percent more elastic than the corresponding estimate of -0.770 in Docket No. R2001-1, *see* USPS-T-8, p. 50). In the instant docket, *see* USPS-T-7, Table 1, p. 9.

- a. Please state whether, in your opinion, the current rate relationships, which the across-the-board proposal would perpetuate, adequately and acceptably recognize the “market differences” between ECR and Standard Regular mail, the “[l]arge differences in own-price elasticities” between these two subclasses, and the “distinct demand characteristics” of ECR mail, all emphasized by the Commission as items of importance in its decision to recommend the ECR subclass.
- b. If the answer to preceding part a is affirmative or in part affirmative, please explain in detail how (i) the market differences, elasticity differences, and demand differences between ECR and Standard Regular mail are recognized in the existing rates and unit contributions to institutional costs, and (ii) how these factors are recognized in the proposal in this docket for an across-the-board rate increase.
- c. Unless your answer to part a is an unqualified affirmation, please explain the time frame and the steps which should be taken to recognize adequately the market differences, elasticity differences, and demand differences between ECR and Standard Regular mail.

- d. If the answer to part a is less than an unqualified affirmation and the answer to part c is explicitly or implicitly that no steps should be taken in this case, please explain whether it is in effect the Postal Service's position that the unique circumstances of this case justify the perpetuation of relationships that do not properly recognize the market differences, elasticity differences, and demand differences between ECR and Standard Regular mail.
- e. If the Postal Service believes that some benefits from disaggregating have been realized since Docket No. MC95-1, please list separately (i) each benefit realized, and (ii) which subclass of mail has realized each benefit.

**VP/USPS-T27-8.**

On page 4 of your testimony, USPS-T-27, you refer to section 3622(b) of the Postal Reorganization Act, which requires attention to, among other things, section 3622(b)(3), which is:

the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributed to that class or type plus that portion of all other costs of the Postal Service reasonably assignable to such class or type....

On page 16 of your testimony you discuss this requirement as "specifying that each class of mail must at least bear the direct and indirect postal costs attributed to that class." In the rest of the associated subsection of your testimony, you discuss incremental costs and the costs for Registered Mail. *See* subsection "C. Cost," beginning on page 16 and ending on page 17.

- a. Please confirm that you believe a statement that each subclass must at least bear its attributable costs is essentially the same as, and captures virtually the full meaning of, a statement (in the law) that each subclass must bear the “direct and indirect postal costs attributed to that [sub]class or type plus that portion of all other costs of the Postal Service reasonably assignable to such [sub]class or type.” If you do not confirm, please explain what you see as the differences between the two statements.
- b. Please discuss whether it is basically your position that the requirement of section 3622(b)(3) can be met by setting rates in neglect of attributable costs and then checking *ex post* to see if those rates “at least” cover their associated attributable costs. If this is not your position, please clarify in step-by-step fashion how you believe the cost recognition of this section should be carried out.
- c. Please consider the simple restatement that section 3622(b)(3) **requires that the rates for a subclass recognize the costs of the subclass and then be based on those costs.**
  - (i) Is it your position that there is essentially no difference between this restatement and your statement that the rates for a subclass must “at least” cover the costs of the subclass? Please explain any answer that is not an unqualified affirmative, and how you see the two statements to be substantially different.

- (ii) The term “cost-based” rates can be used to refer to rates which are based upon the costs of the mail in question being known and acknowledged, with a markup over such costs (in line with a rational, defensible decision as to what the markup should be) to arrive at the rates. Do you agree with this definition? If you do not, please explain any disagreement and provide your own definition of “cost-based” rates.
  - (iii) In general, is it your position that when the Postal Service recognizes current costs in appropriate ways it can meet mailer needs more efficiently and effectively? Please explain any disagreement. Also, please explain any terms in your answer that you believe will not be appropriately understood.
- d. Please suppose the following: (1) rates are set in the instant case in an across-the-board approach in neglect of current costs, with an after-the-fact check to see if the costs are covered in a degree that seems within bounds (as you appear to do in your discussion surrounding “Table 3” on pages 22 through 24 of your testimony); (2) the rates in the rate case immediately following this case are set by looking directly at then-current costs and deciding on an appropriate markup (as the Commission normally does); (3) the next rate case also makes some product redesign changes (along the lines that currently are known to be under consideration); and (4) cost estimates change from Docket No. R2001-1 to this docket to the next docket (as the Postal Service’s costs normally do, especially when there are changes in technology and other improvements in the system).

- (i) Under these conditions, do you think it likely that mailers would see no changes in relative rates in this case and large changes in relative rates in the next case, due to the need to catch up from making no changes in this case? If you do not think this is likely, please explain all reasons why it is unlikely.
- (ii) Please confirm that in recent years there has been discussion in postal circles and various newsletters about a desire by mailers for smaller, more frequent rate changes instead of larger and less frequent rate changes. If you do not confirm, please discuss the pros and cons of those two approaches to ratesetting.
- (iii) If greater recognition of costs occurred in this case, along lines that you refer to as “traditional” on line 16 of page 20 of your testimony, do you believe that any rate adjustments viewed as needed in the next case could be smaller? Please explain any answer not in the affirmative.
- (iv) If large rate adjustments were found to be needed in the next case, but were tempered in recognition of the effects on mailers, do you agree that this would further prolong the time needed to reach desired rate positions, prolonging it until such time as the Postal Service makes a “determination that a rate request is necessary?” (USPS-T-27, p. 13, ll. 9-10.) Please discuss any disagreement.
- (v) Please provide your assessment of the possibility that in the rate case immediately following the instant case the Postal Service will be juggling

the need for large rate adjustments to recognize then-current costs and the need for adjustments to implement product redesign changes, and that concern over the former will slow progress on the latter, leading to a less efficient Postal Service than would be possible if adjustments were made in this case to recognize current costs more fully.

**VP/USPS-T27-9.**

Please refer to your statement on page 9, beginning on line 1, of your testimony,

**USPS-T-27:**

While some may view the decision to use an across-the-board approach as a missed opportunity to re-open long-standing debates over rate design, classifications, and costing proposals, this view would inaccurately characterize where we would be now if the escrow obligation did not exist.

- a. Is it your view that the interests of parties intervening in Commission proceedings can be fairly characterized essentially as not wanting to miss an “opportunity to re-open long-standing debates”? Please explain.
- b. Is it your view that the process of review and examination that occurs before the Commission can be fairly characterized essentially as one of debating issues, many of which are of long standing? Please explain.
- c. Do you think it likely that some of the parties intervening before the Commission are interested in examining and requesting proper recognition up-to-date costs for the subclasses they use? Please explain.

- d. Do you think it would be reasonable for parties intervening before the Commission to be concerned if an opportunity were lost to update Postal Service costs and to assess the extent to which the rates they pay are appropriately based on those costs? Please explain.
  
- e. Do you view an opportunity lost because a rate case is filed in an across-the-board approach as essentially the same (and as of equal moment) as an opportunity lost when a case is not filed at all? Please explain.