

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.  
SIXTH INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS JOHN KELLEY (VP/USPS-T16-39-40)  
(June 9, 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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Valpak Dealers' Association, Inc.

June 9, 2005

**VP/USPS-T16-39.**

Please refer to your response to VP/USPS-T16-6(b) where you explain that the anomalously high costs of delivering ECR Basic letters relative to the costs for corresponding flats is due to the rural crosswalk of USPS-LR-K-101. You state: “A more acceptable result derivable from LR-K-101 is obtained by eliminating the LR-K-101 rural crosswalk that was responsible for virtually all of this excess.”

- a. Have any changes been made to the methodology or format of the rural crosswalk since Docket No. R2001-1? If so, please explain all such changes that have been made to the rural crosswalk.
- b. Did the rural crosswalk cause anomalously high ECR Basic letter costs in Docket No. R2001-1? If your response is negative, please explain why it causes anomalously high costs in Docket No. 2005-1, but not in Docket No. R2001-1. If your response is affirmative, please explain whether we are now to understand that the rates proposed by the Postal Service in Docket No. R2001-1 and included in the settlement were, to use your terminology, based on a less acceptable costing result that yielded anomalous results.
- c. Please explain how your suggestion that the elimination of the crosswalk would yield more acceptable results aligns with the apparent fact that the DMM definition of a letter differs from the definition used to compensate rural carriers.
- d. Please provide a version of USPS-LR-K-101 with the rural crosswalk either eliminated or revised, which you believe to be more acceptable.

**VP/USPS-T16-40.**

Please refer to your response to VP/USPS-T16-6(c) where you explain that the delivery cost of ECR Basic flats is substantially lower than the cost for corresponding regular flats is due primarily to lower city in-office casing costs. You state: “It occurs because total city in-office casing costs are much higher for Standard Regular Flats than they are for ECR Basic Flats.” You point to a casing cost for regular flats that is 2.72 times as high as the casing cost for ECR Basic flats (5.282/1.941).

- a. Is one of the factors associated with lower casing costs for ECR Basic flats that they must be prepared by the mailers in line-of-travel (“LOT”) sequence? If so, please provide an analysis of how much speed LOT adds to casing and any associated cost effects, including copies of any analyses on which the Postal Service has relied in previous cases.
- b. Is one of the factors associated with lower casing costs for ECR Basic flats that their degree of machinability is higher? If so, please: (i) state how “machinability” affects the carrier casing operation for flats; (ii) identify the proportions of each of the two categories that are machinable; and (iii) as a practical matter, explain how much you would expect non-machinability to slow down the carrier casing operation.
- c. If the effect of machinability on carrier casing cost is of considerable magnitude, please explain whether you believe there is merit in recognizing the machinability of these pieces in the rate structure.

- d. What factors, other than LOT sequencing and machinability, have meaningful effects on the carrier casing speed in question? Please itemize each such factor, and explain what effect you would expect each one to have.