

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.
SECOND INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO
UNITED STATES POSTAL SERVICE (VP/USPS-7-11)
(June 10, 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,

William J. Olson
John S. Miles
Jeremiah L. Morgan
WILLIAM J. OLSON, P.C.
8180 Greensboro Drive, Suite 1070
McLean, Virginia 22102-3860
(703) 356-5070

Counsel for:
Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

June 10, 2005

VP/USPS-7.

Please refer to the response to VP/USPS-1a, which shows in an attached table that prior to the rural crosswalk, and thus, based on cost segment 10 costs, the unit rural cost of letters **increased** from Docket No. R2001-1 to the instant docket from 0.448 cents to 1.164 cents, an increase of 159.8 percent, while the unit rural cost of flats **decreased** from one docket to the next from 1.303 cents to 1.223 cents, a decrease of 6.1 percent.

- a. Please explain why the cost of letters increased 159.8 percent and the cost of flats decreased 6.1 percent.
- b. If there were changes in the methods by which rural costs were developed in the cost segment 10 analysis that contributed to the growth pattern outlined in this question, please explain separately each change, the reason for the change, and the effect of the change.
- c. The disparity/anomaly in the costs of letters and flats is said to be due in substantial degree to the effects of the rural crosswalk. Please explain why it is not even more reasonable to conclude that the disparity is caused by the massive increase in the segment 10 cost of letters, on top of which the crosswalk is applied.

VP/USPS-8.

Please refer to the response to VP/USPS-4d(ii), which includes the following statement:

If the 'RCCS EVAL' crosswalk split factors do not accurately reflect current mail volumes, then it follows that the "ECR-letter-category" rural costs derived from these factors will be incorrect.

Do you believe that the split factors used in USPS-LR-K-101 are inaccurate in their representation of current mail volumes? If so, please present any evidence available showing how far from accurate the split factors are.

VP/USPS-9.

Please refer to the response to VP/USPS-4e(ii), which explains that “because the ratios of RCCS letters to RPW letters vary across” the categories of “Basic-Auto letters, Basic-Non-Auto letters, and the combination of High-Density and Saturation letters,” the “rural ECR letter costs per RPW letter differ substantially across these categories.” Please explain how any differences in these “costs per RPW letter” for the categories in question translate into any differences in rates or discounts for the categories.

VP/USPS-10.

Please refer to the responses to VP/USPS-5b(ii) and (iii), which agree that very rough estimates can be prepared which suggest that the fully-piggybacked, post-rural-crosswalked cost of delivering a letter on a rural route has **decreased** between Docket No. R2001-1 and the instant docket by something in the neighborhood of 2.74 percent.

- a. Please reconcile this estimate of a 2.74-percent **reduction** with the indication in the table attached to the response to VP/USPS-1 that the post-rural-crosswalked cost of a letter **increased** over the same period from 1.002 cents to 1.728 cents, an increase of 72.4 percent.

- b. Please confirm that instead of adding rural and city costs per RPW piece to get a total delivery cost, one could just as easily and with the same result calculate a specific cost for rural delivery (such as the estimate of 5.63 cents developed in the response to VP/USPS-5b(i)) and a specific cost for city delivery, and take an appropriate weighted average of the two. If you do not confirm, please explain in detail why this could not be done.
- c. Please consider the approach of taking a weighted average of a 5.63-cent figure and a corresponding figure for city routes. If the increase in the 5.63-cent figure has been somewhere in the neighborhood of 2.74 percent and the increase in weighted average has been somewhere in the neighborhood of 46.54 percent, as suggested in the response to VP/USPS-1h, please explain the implications for the increase in the specific cost of city delivery.

VP/USPS-11.

Please refer to the response to VP/USPS-4f(i and ii), which states that payments to rural carriers “vary only according to mail shape, and according to whether the mail piece is delivered or collected, whether the delivered piece is a boxholder or a non-boxholder piece, and whether the delivered piece has postage due.” Please explain whether the payment to rural carriers varies for letters according to whether they are delivery point sequenced, which, as explained in the response to VP/USPS-6(a), would be expected to cause increased mail processing costs. If it does not, please explain whether it follows that neither the mailers nor

the Postal Service generally are receiving any benefit from delivery point sequencing letters on rural routes and that, indeed, they may be paying a penalty.