

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORIES OF VAL-PAK [VP/USPS-T27 11-15 and 17-23]
(June 23, 2005)

The United States Postal Service hereby provides the responses of witness Robinson to the above-listed interrogatories of ValPak Direct Marketing Systems, Inc. and ValPak Dealers' Association, Inc., dated June 10, 2005.

Each interrogatory is stated verbatim and is followed by the response. VP/USPS-T27-16 has been redirected to witness Tayman for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.

Chief Counsel, Ratemaking

Michael T. Tidwell

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VP/USPS-T27-11.

Please refer to your response to VP/USPS-T28-17(d), redirected from witness Taufique (USPS-T-28), where you state that "In this example, it is unclear whether you are referring to marginal costs or total costs of providing a product," and, in referring to the response of witness Taufique to VP/USPS-T28-17(c), you state "Therefore, I do not believe, given the break-even constraint and the level of institutional costs, that the pricing of Postal Service products could necessarily result in rates and fees equal to marginal costs for every product."

- a. Please define the term "product" as you use that term in your above-quoted response.
- b. Please refer to your definition of "product" in preceding part a and identify the number of Postal Service products that currently exist in the ECR commercial subclass and, referring to Rate Schedule 322 in the Request, please describe what those products are.

RESPONSE

- a. In my response to VP/USPS-T28-17(d), I use the term "product" as being equivalent to a subclass or special service for which the nine pricing criteria are applied in determining the cost coverage.
- b. One. The entire Standard Mail Enhanced Carrier Route subclass.

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VP/USPS-T27-12.

Would you agree that a change in rates described generally as a 5.6 percent “across-the-board” increase represents an approach to setting rates that is both formulaic and unusual? If you do not agree that this is a formulaic approach to rate setting, please explain why not, and define or state what in your opinion would constitute a formulaic approach.

RESPONSE:

I would agree that the Postal Service’s proposed 5.4 percent across-the-board increase in rates and fees is “unusual” because the Postal Service has only requested an across-the-board increase in one other docket: Docket No. R94-1.

I would agree also that the proposed 5.4 percent across-the-board rate increase involves calculating proposed rates using a formula, that is,

$$\text{Proposed Rate} = \text{Current Rate} * 1.054$$

with some adjustments based on rounding constraints, statutory requirements associated with Within County Periodicals, and, in the case of Registered Mail and Periodical Applications Fees, to cover costs.

However, I do not agree that this is a “formulaic approach to rate setting.” A formulaic approach to ratemaking would apply the same method to ratemaking regardless of the circumstances surrounding the rate request. Formulas can be applied in rate design without the approach being “formulaic.” Appropriate ratemaking requires that the full context surrounding a rate request be considered and incorporated into the rate proposal. In this case, the Postal Service has considered the full set of circumstances surrounding the rate request

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RESPONSE to VP/USPS-T27-12 (continued):

including the facts that if the escrow obligation did not exist a change in rates would not have been requested, and rate relationships and cost coverages would not have been changed. Moreover, the escrow requirement is not associated with the provision of any particular subclass or special service.

The rate request in this docket has been designed to recover the escrow requirement in the most fair and equitable way possible – on a pro rata revenue basis. As discussed in my testimony, other methods could have been used – for example allocation of the escrow burden based on contribution or attributable costs or a judgmental assignment of the escrow burden to individual mail subclasses – but these would have placed the escrow burden disproportionately on some groups of customers in a way that I believe would be unfair and inequitable.

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VP/USPS-T27-13.

Please refer to your testimony at page 7 (ll. 9-10), where you state that "While the Postal Service incurs other institutional costs, these other costs, unlike the escrow requirement, are related to the provision of mail services...."

- a. Where you refer here to "the provision of mail services," please explain whether you are referring to the current (or future) provision of mail services, or to the provision of mail services at any and all times in the past?
- b. To the extent that the Postal Service's institutional costs have included retroactive payments to cover workers' compensation costs for injuries incurred prior to enactment of the Postal Reorganization Act, would you consider those costs to be for the provision of mail services? Please explain why a retroactive payment for costs incurred so many years ago should be considered as falling within the ambit of "provision of mail services."
- c. Since the current law now requires the Postal Service to pay all retirement costs for Postal Service employees who have credit for military service, would you consider that portion of retirement costs related to military service to be for the provision of mail services? Please explain why this particular portion of retirement costs should be considered as falling within the ambit of "provision of mail services," and explain what distinguishes this expense from the institutional overhead expense imposed by the escrow obligation.

RESPONSE:

- a. I am referring to institutional costs included in the test-year cost estimates.

In discussing the costs incurred in association with the provision of mail or postal services as compared to the escrow obligation, I am drawing a distinction between costs associated with the ongoing operations of the Postal Service and the escrow requirement that is not been dedicated to any specific use by Congress. As witness Tayman observed,

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RESPONSE to VP/USPS-T27-13 (continued):

The amount of the escrow expense is arbitrarily determined in the sense that it represents the difference between the funding requirement relating to a legitimate estimate of the Postal Service's CSRS obligations and an estimate of these obligations that was determined to be substantially in error." USPS-T-6 at 12, lines 4-8.

b. – c.

As discussed above, I would consider costs incurred for the ongoing operation of the Postal Service to be "related to the provision of postal services" as I define that term in the response to part a. While accounting principles and, in the case of the escrow obligation, Public Law 108-18 (discussed by witness Tayman, USPS-T-6) govern the treatment of specific costs and their inclusion in the test-year, for the purposes of this discussion, I am not referring to the provision of mail services in any specified period. The distinction I am making between these costs and the escrow obligation is that the escrow obligation has not been dedicated to any specific use by Congress.

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VP/USPS-T27-14.

Please refer to your testimony at page 6 (ll. 19-20) where you state that “postal management was faced with the question of how to **most equitably** recover the escrow burden in a circumstance where they would not otherwise be proposing changes in rates and fees.” (Emphasis added.) Please also refer to your testimony at page 8 (ll. 11-12) where you state that “[a]llocating the escrow obligation *pro rata* based on revenue spreads the burden of the escrow requirement **equitably**....” (Emphasis added.)

- a. Is it your opinion that an across-the-board percentage increase in rates is the most equitable way of recovering an increase in institutional costs?
- b. Is it your opinion that any other set of rate increases not based pro rata on revenue would be a less equitable way of recovering either (i) any increase in institutional costs, or (ii) an increase in institutional costs mandated by Congress? Please explain your answer.
- c. Unless your answer to preceding part a is an unqualified affirmative, please indicate whether it is your opinion that an across-the-board percentage increase in rates is the most equitable way of recovering an increase in institutional costs only when the increase is mandated by Congress. If this is your opinion, please (i) explain why obligations mandated by Congress require different treatment, and (ii) opine as to why Congress has not enacted a special subsection under Section 3622(b) to allow the Postal Service and the Postal Rate Commission to deal with this situation, or (iii) explain why the Postal Service, in the absence of such legislation, has take it upon itself to decide that the existing rate-setting criteria in Section 3622(b) of the Postal Reorganization Act are inadequate and different treatment is required.

RESPONSE

- a. No. It is my opinion that the proposed across-the-board increase is the most equitable way to recover this specifically-identified institutional cost – the Congressionally-mandated escrow obligation.

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RESPONSE to VP/USPS-T27-14 (continued):

- b.
- i. No. In past dockets, the Postal Service has proposed and the Postal Rate Commission has recommended the allocation of non-escrow institutional costs on bases other than on an across-the-board basis. I believe this to have been appropriate given the circumstances surrounding those dockets. However, given the circumstances surrounding this docket, I believe that the allocation of the escrow obligation on a pro rata revenue basis to be appropriate.
 - ii. No, while I believe the escrow requirement to be unusual and it is not likely that a similar circumstance will arise again; I cannot speculate on all possible future actions of Congress. Compared to prior Congressional actions, the escrow requirement is unique in that it is not associated with the ongoing operations of the Postal Service, and it has not been dedicated to any specified purpose. In past instances, for example the OBRAs of the early 1990s, Congressionally-mandated changes in Postal Service costs were addressed through a more conventional rate approach. Generally, I would expect that to be the case in most instances. However, the treatment of any new burdens will certainly merit a full and

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RESPONSE to VP/USPS-T27-14 (continued):

independent judgment based on the particular facts underlying the specific circumstance.

- c. No. While I cannot provide a specific example, it is possible that, at some point in the future, an across-the-board percentage increase would be an appropriate way to recover some institutional cost burden that was not mandated by Congress. However, I would expect such an occurrence to be infrequent. The specific circumstances surrounding such a cost would need to be examined to make such a determination. While the pricing criteria of section 3622(b) do not address every particular circumstance that could possibly arise in postal ratemaking, it does provide sufficient flexibility to address many different circumstances including the escrow obligation. The Postal Service has not decided that the existing rate-setting criteria are inadequate; we have determined that under the current circumstances that an across-the-board increase is appropriate based on an evaluation of the pricing criteria.

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VP/USPS-T27-15.

Please refer to your testimony at page 12 (ll. 15-18) where you state: Because the escrow expense does not vary with mail volume, and, in fact, is not related to the provision of postal services, it would be unreasonable to propose that any one customer or group of customers bear a disproportionate share of this expense.

- a. Can you identify any institutional overhead expenses that vary with volume? Unless your answer is an unqualified negative, please identify each such expense.
- b. Has the Postal Service made any attempt to identify other expense items in its annual budget that may not be related to the provision of postal services?
- c. Would you agree that having Standard ECR mailers pay a 244.1 percent coverage, while, for example, Standard Regular mailers pay a 159.6 percent coverage and Periodicals within county mailers pay a 104.3 percent coverage, results in Standard ECR mailers bearing a "disproportionate share of this expense?" If not, please explain.
- d. Why is it reasonable to propose that any one customer, or group of customers, bear a disproportionate share of the Postal Service's institutional overhead expense, as the Postal Service has proposed in prior omnibus rate cases?

RESPONSE

- a. No. It is my understanding that the intent of the attribution process is that institutional costs do not vary with volume.
- b. Yes. As discussed in my response to VP/USPS-T 27-13, I am using the phrase "provision of postal services" in a very broad sense to include all costs associated with the ongoing operation of the Postal Service. I recognize that, in some contexts, the term "postal services" has a narrower definition. It is my understanding that the annual budget includes all operating costs and projected revenues for the Postal Service.

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RESPONSE to VP/USPS-T27-15 (continued):

- c. – d. The fact that cost coverages differ between subclasses and special services is not related to the escrow burden. As USPS-LR-K-114 indicates, the Postal Rate Commission has recommended (and the Postal Service has proposed, for that matter) different cost coverages based upon its view of the pricing criteria and the particular circumstances. That occurred without the escrow requirement.

Witness Potter has stated that this rate increase proposal will be withdrawn if the escrow obligation is removed. Therefore, we have designed this increase to do two things: (1) recover the escrow requirement in the most fair and equitable way possible, and (2) recognize that the current rates and rate relationships would be maintained in the absence of escrow requirement.

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VP/USPS-T27-17.

Please refer to your testimony in Section IV.B, starting at page 13 (l. 15) where you discuss the Value of Service criterion contained in Section 3622(b)(2) of the Postal Reorganization Act. Aside from your explanation of the various factors that have been used to assess value of service, please explain how you explicitly took into account value of service when recommending (or reviewing) coverages for each class and subclass of mail, and how that consideration caused you either to increase or decrease the coverage on any individual class or subclass of mail. If the circumstances of this case caused you essentially to ignore, or override considerations of value of service, please so state.

RESPONSE

In this case, the Postal Service was faced with the need to recover an escrow obligation that does not depend on the value of service associated with any particular class of mail. The escrow requirement has been Congressionally-mandated and there is no indication that higher value of service or lower value of service mail classes were intended to bear a greater or lesser share of the escrow burden. Consequently, it was not appropriate to allocate this unique cost on the basis of the relative value of service. Value of service was considered and is incorporated in the proposed rates through the cumulative judgments of the Postal Rate Commission regarding value of service of the specific mail classes. In this instance, it is not correct to say that value of service considerations were ignored, they were not. However, consideration of the unique nature of the escrow expense suggests that differential allocation of the escrow expense based on value of service was inappropriate.

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VP/USPS-T27-18.

Please refer to your testimony at page 18 (ll. 6-7) where, in your discussion of Criterion 4, Effect of Rate Increases, you state that "Public Law 108-18 does not differentiate between customers in the imposition of the escrow."

- a. Did the Omnibus Budget Reconciliation Act of 1990 differentiate between postal customers?
- b. Did the Omnibus Budget Reconciliation Act of 1993 differentiate between postal customers?
- c. Did the Balanced Budget Act of 1997 differentiate between postal customers?
- d. Did the section of Public Law 108-18 that requires the Postal Service to pay Civil Service Retirement System ("CSRS") retirement benefits for military service differentiate between postal customers?
- e. Does your above-quoted statement mean that you felt it was necessary for Public Law 108-18 to differentiate between postal customers on the basis of the number of available alternatives in order for you to give explicit consideration and weight to this criterion in Section 3622(b)? If this is not a correct interpretation of what you intended, please explain what you meant.
- f. In light of the criteria already contained in Section 3622(b) of the Postal Reorganization Act, please explain why any act of Congress that imposes some kind of financial obligation on the Postal Service also should contain explicit provisions that differentiate between postal customers.

RESPONSE

- a. No.
- b. No.
- c. No.
- d. No.
- e. This is not a correct interpretation of my statement. If Congress had included specific direction as to how the escrow burden was to be allocated based on the number of available alternatives, then the Postal

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RESPONSE to VP/USPS-T27-18 (continued):

Service would have proposed rates that complied with this direction.

However, because this direction was not included in Public Law 108-18, the Postal Service has the discretion to propose rates that are consistent with the pricing criteria. The current proposal to recover the escrow requirement based on an across-the-board increase in rates is consistent with the pricing criteria and does reflect a consideration of each of the criteria. While I am not an expert on all of the provisions of the four acts listed in parts a – d of this question, it is my understanding that each of these acts were specific in terms of the obligations placed upon the Postal Service and imposed some costs associated with the Postal Service or Post Office Department activities and administration. This is fundamentally different from the escrow obligation which is unrelated to the current or past operation and administration of the Postal Service or Post Office Department.

- f. I do not believe that Congress is obligated to include provisions which differentiate between postal customers in any act of Congress. However, to the extent that such provisions are included in statute, the Postal Service will reflect those requirements in its rate proposals.

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VP/USPS-T27-19.

Please refer to your testimony at page 19 (ll. 15-16) where you discuss available alternatives, and state that "Public Law 108-18 has not differentiated customers on the basis of the number of available alternatives."

- a. Did the Omnibus Budget Reconciliation Act of 1990 differentiate postal customers on the basis of the number of available alternatives?
- b. Did the Omnibus Budget Reconciliation Act of 1993 differentiate postal customers on the basis of the number of available alternatives?
- c. Did the Balanced Budget Act of 1997 differentiate postal customers on the basis of the number of available alternatives?
- d. Did the section of Public Law 108-18 that requires the Postal Service to pay CSRS retirement benefits for military service differentiate between postal customers on the basis of the number of available alternatives?
- e. Does your above-quoted statement mean that you felt it was necessary for Public Law 108-18 to differentiate customers on the basis of the number of available alternatives in order for you to give explicit consideration and weight to this criterion in Section 3622(b)? If this is not a correct interpretation of what you intended, please explain what you meant.
- f. Please explain how you explicitly took available alternatives into account, especially changes and developments in available alternatives since Docket No. R2001-1, when recommending the coverages for each individual class or subclass of mail. If the circumstances of this case caused you to ignore, or override considerations of available alternatives, please so state.

RESPONSE:

- a. No.
- b. No.
- c. No.
- d. No.
- e. This is not a correct interpretation of my statement. If Congress had included specific direction as to how the escrow burden was to be

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RESPONSE to VP/USPS-T27-19 (continued):

allocated based on the number of available alternatives, then the Postal Service would have proposed rates that complied with this direction. However, because this direction was not included in Public Law 108-18, the Postal Service has the discretion to propose rates that are consistent with the pricing criteria. The current proposal to recover the escrow requirement based on an across-the-board increase in rates is consistent with the pricing criteria and does reflect a consideration of each of the criteria. . While I am not an expert on all of the provisions of the four acts listed in parts a – d of this question, it is my understanding that each of these acts were specific in terms of the obligations placed upon the Postal Service and imposed some costs associated with the Postal Service or Post Office Department activities and administration. This is fundamentally different from the escrow obligation which is unrelated to the current or past operation and administration of the Postal Service or Post Office Department. The current proposal to recover the escrow requirement based on an across-the-board increase in rates is consistent with the pricing criteria and does reflect a consideration of each of the criteria.

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RESPONSE to VP/USPS-T27-19 (continued):

- f. The effect of the number of available alternatives was considered to be incorporated in the current rates through the cumulative application of the pricing criteria embodied in the current rates. In the absence of the escrow requirement, the Postal Service would not have proposed a change in rates and fees and thus would not have incorporated any assessment of the changes in available alternatives. In preparing this rate proposal, I discussed the pricing criteria with management and weighed the issues that you are raising. However, on balance, a policy determination was made that the need to recover the escrow requirement supported an across-the-board proposal. The requirement to reflect the number of available alternatives is designed, in part, to provide protection for customers who for statutory or other structural reasons have few options to using the Postal Service. Since 2001, there have been relatively few changes in the number of available alternatives, most of the changes that have occurred (e.g., increasing ability to use electronic substitutes for mail) have tended to increase the number of available alternatives suggesting that these customers are not always as reliant upon the mails as they were formerly.

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VP/USPS-T27-20.

Please refer to your testimony at page 6 (l. 13) where you state that “the escrow obligation does not serve a ‘postal’ function.”

- a. Please define what you mean by the term “postal function” as you use it here.
- b. Please explain how retirement payments for military service serve a “postal” function.
- c. Please explain how workers’ compensation expenses for injuries incurred prior to 1971 serve a “postal” function.

RESPONSE:

- a. –c A postal function in this context refers to expenses associated with the ongoing operation of the Postal Service as described in the response to VP/USPS-T27-13. Retirement expenses arise from the provision of mail services and the administration of the Postal Service. These expenses arise from Congress’s determination that the Postal Service is obligated to fund these expenses. The escrow requirement differs from these other costs in that it has not been dedicated to any specific use by Congress.

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VP/USPS-T27-21.

Please refer to your response to VP/USPS-T27-3(k) where you state: Efforts to force fit past coverages to a new case can only succeed if one is compelled to ignore all new information and solely dwell on the past.

- a. Would you agree that an across-the-board rate increase is built solely on prior rates already in existence? Please explain any disagreement.
- b. Would you agree that an across-the-board rate increase ignores all new information as regards changes in cost, demand, competition, elasticities of demand, etc. Please explain any disagreement.

RESPONSE:

- a. No. The across-the-board increase proposed in this case incorporates an evaluation of the escrow obligation and an assessment of the way to recover this obligation that most appropriately recovers this cost consistent with the nine ratemaking criteria of the Act. It is built on the current rates; however, these rates were not the sole consideration in proposing the across-the-board rate increase.
- b. No. I do not agree that this across-the-board increase ignores all new information. The determination that an across-the-board increase was appropriate involved a weighing of other possible rate proposals involving different rate increases for individual classes of mail. However, this evaluation resulted in the determination that an across-the-board increase was the most appropriate proposal because (1) no rate change would have been proposed absent the escrow requirement, (2) the Postal Service would withdraw the request if Congress acted to remove the escrow requirement and (3) the escrow requirement is not dedicated to

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RESPONSE to VP/USPS-T27-21 (continued):

funding any function undertaken by the Postal Service. Please see, also, the responses to VP/USPS-T27-18 and VP/USPS-T27-19.

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VP/USPS-T27-22.

Please refer to your response to VP/USPS-T27-7 where, as part of your response, you state:

The potential for Congressional action removing the escrow requirement must be considered. The proposed across-the-board rate increase permits the Commission to separate the escrow obligation from other issues in rate design that would not otherwise be raised by the Postal Service.

- a. If the Postal Service, the Commission and mailers are to consider the potential for Congressional action removing the escrow requirement, should they also consider the potential for Congressional action eliminating future rate cases and thereby causing rates resulting from your proposed across-the-board increase becoming the basis for rates in the foreseeable future?
- b. In your opinion, is the potential for Congressional inaction a possibility that also should be considered?
- c. With respect to your statement that the proposed across-the-board rate increase permits the Commission to separate the escrow obligation from other issues in rate design, does Public Law 108-18 or the Postal Reorganization Act mandate that the Commission make such a separation?
- d. With respect to your statement that the proposed across-the-board rate increase permits the Commission to separate the escrow obligation from other issues in rate design, does Public Law 108-18 or the Postal Reorganization Act in any way obligate the Commission to make such a separation?
- e. With respect to your statement that the proposed across-the-board rate increase permits the Commission to separate the escrow obligation from other issues in rate design, does the Postal Reorganization Act allow the Commission to make such a separation, and then apply the criteria in Section 3622(b) differentially, to the point of virtually ignoring most of the criteria?

RESPONSE

- a. There are many possible courses Congress could undertake in pending legislation. However, while it would not be unreasonable to consider the range of possibilities, any specific Congressional action is not assured. It does not seem reasonable to anticipate a specific future Congressional action

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RESPONSE to VP/USPS-T27-22 (continued):

- b. to address the escrow requirement that will affect a fiscal year which begins in less than four months.
- c. Yes. The across-the-board proposal provides a way that the Postal Service can reasonably recover the escrow costs in the event that Congress does not act to remove this obligation.
- d. No. Public Law 108-18 and the Postal Reorganization Act do not mandate the Postal Rate Commission to take any specific action regarding the incorporation of the escrow obligation into rates. However, as discussed in my testimony, I believe the Postal Service's proposed across-the-board rate increase proposal approach is consistent with the requirements of both P. L. 108-18 and the PRA.
- e. No. Public Law 108-18 and the Postal Reorganization Act do not obligate the Postal Rate Commission to take any specific action regarding the incorporation of the escrow obligation into rates. However, as discussed in my testimony, I believe the Postal Service's proposed across-the-board rate increase proposal approach is consistent with the requirements of both P. L. 108-18 and the PRA.
- f. The Postal Reorganization Act allows the Commission to apply its discretion in allocating the institutional costs of the Postal Service to mail products and services. In this case, I believe that the application of an across-the-board increase to recover the escrow obligation is consistent with the pricing criteria

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RESPONSE to VP/USPS-T27-22 (continued):

of section 3622(b). The use of an across-the-board increase does not “virtually ignore” the pricing criteria; rather it recognizes that the unique nature of this obligation – which is not driven by any postal operation – cannot be differentially assessed to individual mail classes.

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VP/USPS-T27-23.

- a. Please confirm that your testimony does not contain or discuss either markups or coverage of individual subclasses using PRC attributable costs. If you do not confirm, please indicate where in your testimony these data can be found.
- b. Please confirm that the markups for individual subclasses using PRC attributable costs can be found only in USPS-LR-K-114, which is a Category 5 library reference, and which you do not sponsor. If you do not confirm, please explain.
- c. Please confirm that, using PRC attributable costs, library reference USPS-LR-K-114 indicates that both (i) Within County Periodicals and (ii) Media Mail and Library Mail have negative markups — *i.e.*, coverages of less than 100 percent — which means that neither subclass covers its attributable costs. If you do not confirm, please explain.
- d. When you prepared your testimony, did you refer to library reference USPS-LR- K-114?
- e. Is it your recommendation that the Commission should approve rates that are known to you to be less than attributable cost?

RESPONSE:

- a. Confirmed except to the extent that Table 3 at page 24 presents markup indices using the Postal Rate Commission costing methodology from Docket No. R2001-1.
- b. Confirmed. See also my response to MMA/USPS-T27-1.
- c. Confirmed, using the Postal Rate Commission costing methodology.
- d. Yes.
- e. No. It is my proposal that the Postal Rate Commission recommend rates that cover costs based on the Postal Service's estimated costs on record in this proceeding. In all cases, using the Postal Service's costing methodology, the proposed rates and fees cover costs in the test-year-after-rates. Exhibit

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORIES OF VALPAK DIRECT MARKETING SYSTEMS, INC.
AND VALPAK DEALERS' ASSOCIATION, INC.

RESPONSE to VP/USPS-T27-23 (continued):

USPS-27B. As noted in my testimony, I have proposed rate increases for Registered Mail and Periodicals Application Fees that are in excess of 5.4 percent solely because these products could not cover costs using the Postal Service's costing methodology.