

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

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

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: Docket No. R2005-1
:

INTERROGATORIES OF ADVO INC. TO VAL-PAK
WITNESS ROBERT MITCHELL (ADVO/VP-T1-1-7)

(July 22, 2005)

Pursuant to sections 25 and 26 of the Rules of Practice, ADVO, Inc. (Advo) directs the following interrogatories to Val-Pak witness Robert Mitchell (VP-T-1). If the witness is unable to respond to any interrogatory, we request that a response be provided by appropriate witness capable of providing an answer.

Respectfully submitted,

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ADVO, INC. INTERROGATORIES TO VAL-PAK WITNESS ROBERT MITCHELL

ADVO/VP-T1-1. Please provide the workpapers used to develop the results presented in Figure 3 on page 51 of your testimony.

ADVO/VP-T1-2. Please provide the workpapers used to develop the estimate on page 80 of your testimony that a reduction of 10 percentage points (of cost coverage) would give ECR mailers little if any rate increase.

ADVO/VP-T1-3. Referring to the letter-flat cost differential discussed on page 81 of your testimony, please confirm that you mean the differential between ECR Basic letters and Basic flats. If not, please explain.

ADVO/VP-T1-4. At page 82 of your testimony in footnote 36, you refer to the Commission's Docket R90-1 decision concerning implementation of a saturation letter-flat rate differential and state:

[The Commission] also said "We . . . note that the letter discounts we are recommending are not worksharing discounts in the sense this term is used on the record; however, our recognition of shape at the saturation level introduces the possibility that some mailers may decide to convert their mailings." *Ibid.*, p. V-305, ¶ 6076. Mailers should not be restricted from choosing the products that suit them best, given appropriate rate differences.

- (a) Are you aware of any ECR saturation flat mailers that, since the Commission's decision in Docket R90-1, have converted their mailings to letter size? If so, please identify them.
- (b) Do you have any knowledge or information on the percentage of total ECR saturation flat volume (if any) that, since the Commission's R90-1 decision, has converted to letter size? If so, please provide it, including all sources.
- (c) Please confirm that the last sentence in your footnote 36, quoted above, is

your statement and not the Commission's.

- (d) Is it your contention that, absent a 100 percent or greater passthrough of the ECR saturation letter-flat cost differential, saturation mailers are "restricted from choosing the products that suit them best"? If so, please identify the saturation mailers, or types of saturation mail programs, that are so "restricted" from choosing the products that suit them best, and explain how they are restricted.
- (e) Based on your knowledge of the ECR saturation mail industry, is it your belief that the choice of saturation shopper publications and shared mailers to utilize a flat-size format is influenced in any respect by the magnitude of the letter-flat cost passthrough (i.e., that a change in the passthrough might cause them to switch from a flat-size to a letter-size format)? If so, please explain the basis for your belief.
- (f) Based on your knowledge of the ECR saturation mail industry, please list the factors, in order of importance, that you believe influence the choice of ECR saturation shopper publications and shared mailers to utilize a flat-size format, rather than a letter-size format.

ADVO/VP-T1-5.

- (a) Do you have any knowledge or understanding of any differences in the typical frequency of mailing (e.g., weekly, monthly, less-than-monthly) between ECR saturation letter mailings and ECR saturation flat mailings? If so, please state your understanding and provide sources.
- (b) Are you aware of any ECR saturation letter mail programs that are mailed in a market on a regular weekly basis? If so, please identify the mailers and the markets, and quantify the volumes of such weekly-frequency saturation letter mail.

- (c) Are you aware of any ECR saturation letter mail programs that are mailed in a market on a more-frequently-than-monthly basis, i.e., more than 12 times per year? If so,
- (i) please identify the mailers and the markets, and quantify the volumes of such saturation letter mail;
 - (ii) please state whether distribution more frequently than monthly is either commonplace, the exception, or nonexistent for saturation letter mail.
- (d) To the extent you believe there are differences in the typical frequency of mailing between ECR saturation letter mailings and saturation flat mailings, please describe the factors that you believe may account for the differences.

ADVO/VP-T1-6. At page 67 of your testimony, you state that “most materials in ECR cannot be sent privately.”

- (a) Please confirm that saturation letters could be sent privately if unaddressed.
- (b) Are any of Val-Pak’s letter-size enveloped coupons distributed by private delivery, not mail? If so, please provide the following:
 - (i) the total volume of such privately-delivered pieces in 2004 and an estimate for 2005;
 - (ii) the percentage of Val-Pak’s total enveloped coupon volume that is delivered privately; and
 - (iii) identify the markets where private delivery is used, and for each market identify the private delivery company used.

ADVO/VP-T1-7. At pages 83-84 of your testimony, you advocate that the passthrough of the letter-flat cost differential “should be over 100 percent, but certainly

at least 100 percent.” Do you believe that the passthroughs of the Automation-Basic Letters, Basic-High Density, and High Density-Saturation total cost differences (for both letters and non-letters) should also be a minimum of 100 percent? If not, explain why not.