

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

RATE AND SERVICE CHANGES TO IMPLEMENT
BASELINE NEGOTIATED SERVICE AGREEMENT
WITH BOOKSPAN

Docket No. MC2005-3

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT
TO INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC. REDIRECTED FROM WITNESS YORGEY
(VP/USPS-T2-9e)**

The United States Postal Service hereby provides the response of witness Plunkett to the following interrogatory of Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc., filed on September 6, 2005, and redirected from witness Yorgey: VP/USPS-T2-9e.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 21, 2005

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
TO INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC. REDIRECTED FROM WITNESS YORGEY

VP/USPS-T2-9.

Please review your response to VP/USPS-T2-3 and respond to the following.

- e. In your opinion, to what extent is the projected after-rates loss on Bookspan's Standard Mail Regular non-letters a result of inadequate or non-mailer-specific cost data, and to what extent is it a result of improper pricing? If you believe the projected loss is due to other factors, please specify them.

RESPONSE:

- e. Decisions regarding which methodologies to employ in developing estimates of the costs associated with a particular customer's mail must consider the cost—and expected utility—of the effort required to produce them. In this case, the unit cost of Standard Mail non-letters is a minor component of the model used to estimate the value of the agreement. An investment of substantial resources would be required to study every component of the costs of Bookspan's mail in order to model the NSA's effects at the level of precision that these questions would suppose. This investment would be difficult to justify in light of the level of return expected.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Scott L. Reiter

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