

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

POSTAL RATE AND FEE CHANGES, 2006 )

Docket No. R2006-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND  
VALPAK DEALERS' ASSOCIATION, INC.  
SECOND INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS DION E. PIFER (VP/USPS-T18-9-12)  
(June 8, 2006)

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.

**VP/USPS-T18-9.**

Please refer to your testimony at page 10, lines 3-5, where you state that: “[p]roduct specific costs are non-volume variable costs caused by the provision of a product. Product specific costs for a mail product are incremental to that mail product.”

- a. Please define the terms “product” and “mail product” as you use them here.
- b. As you define the term “mail product,” to what extent is it synonymous with a class of mail?
- c. As you define the term “mail product,” to what extent is it synonymous with a subclass of mail?
- d. As you define the term “mail product,” to what extent is it synonymous with a rate category within a subclass of mail?
- e. As you define the term “mail product,” to what extent is it synonymous with a rate cell within a subclass of mail?

**VP/USPS-T18-10.**

Please refer to your responses to VP/USPS-T18-4, 5 and 6, and suppose that within one or more independent MODS mail processing cost pools some non-volume variable costs exist solely for one Postal Service product. That is, if the product ceased to exist, those non-volume variable costs would no longer exist.

- a. Would you agree that any non-volume variable costs such as those described here are incremental to the product in question? If you disagree, please explain fully.

- b. Would it be appropriate to classify any non-volume variable costs such as those described here as intrinsic?

**VP/USPS-T18-11.**

Please refer to your testimony at page 10, line 8, where you state that “[a] variety of sources are used to identify product specific costs ....” Of the various sources that you used for identifying product specific costs, which ones contained a detailed cost breakdown or an analysis of the non-volume variable costs within individual cost pools?

**VP/USPS-T18-12.**

Please refer to the testimony of witness Bozzo (USPS-T-12) at page 3, Table 1.

- a. Excluding the “Composite” cost pool, do you consider the other 10 cost pools in that table to be “independent,” as you use that term at page 7, line 6 of your testimony? If not, please indicate each cost pool that you consider to be dependent.
- b. For each of the 10 cost pools that you define as independent, please indicate for each the “type” (*i.e.*, type 1 to 8 as described in your testimony at pages 7-8).
- c. Excluding the “Composite” cost pool, with respect to each other cost pool in that table with non-variability factor greater than zero, please indicate which non-volume variable costs, if any, you have classified as incremental, and explain the basis or reason for determining that they were incremental.

- d. Please indicate all sources that you used to identify incremental costs within the “pool,” or aggregate level, of non-volume variable costs in those 10 cost pools with non-variability factor greater than zero.