

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO
VALPAK DIRECT MARKETING ASSOCIATION, INC. AND VALPAK DEALERS'
ASSOCIATION, INC. WITNESS MITCHELL
(USPS/VP-T1-28-31)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service directs the above-referenced interrogatories to Valpak Direct Marketing Association, Inc. and Valpak Dealer's Association, Inc. witness Mitchell.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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USPS/VP-T1-28 Please refer page 97 of your testimony where you discuss your proposed cost coverages and rate increases for Standard Mail.

- (a) Please confirm that your proposed rate increase for Standard Mail Regular is 17.6 percent, approximately 6.8 percentage points higher than the Postal Service's proposed rate increase for Standard Mail Regular and your proposed rate decrease for ECR is 8.5 percent, approximately 16.3 percentage points lower than the Postal Service's proposed rate change for ECR.
- (b) Please confirm that your testimony proposes no changes to cost coverages or rates proposed by the Postal Service for mail subclasses outside of Standard Mail.
- (c) Please confirm that under your proposals Standard Mail Regular and Nonprofit Regular will generate \$18.6 billion in revenue in the test year, and Standard Mail ECR and Nonprofit ECR will generate \$5.7 billion in revenue, for a total Standard Mail revenue of \$24.2 billion, and that this total revenue is approximately 30 percent of the Postal Service's revenue requirement in the test year.
- (d) Please state whether you considered how your proposed Standard Mail pricing should affect the pricing of mail classes and subclasses outside of Standard Mail, giving particular attention to First-Class Mail in your response.
- (e) If your response to part (d) is that there should be no impact on prices outside of Standard Mail, please explain your rationale fully.
- (f) If your response to part (d) is that there should be an impact, please explain why you did not propose alternate cost coverages and rate designs for other mail classes and subclasses, giving particular attention to First-Class Mail in your response.

USPS/VP-T1-29 Please confirm that your testimony and workpapers do not estimate the impacts of your pricing proposals on Standard Mail volumes or test year after rates revenues.

USPS/VP-T1-30 Please refer page Charts 1 and 2 in your testimony where you show the percentage rate increases you are proposing for mailers of Standard Mail Regular and Nonprofit Regular flats.

- (a) Is it your view that at their current rates, Standard Mail Regular and Nonprofit Regular cover their volume variable costs? Please explain in detail any failure to confirm that these pieces cover their costs.
- (b) Please confirm that your proposals would require some commercial mailers of minimum-per-piece-rated flats to experience rate increases exceeding 50 percent?

- (c) Please confirm that your proposals would require some nonprofit mailers of minimum-per-piece-rated flats to experience rate increases exceeding 100 percent?
- (d) Please explain whether you examined the impacts that such large rate increases would have on mailers of lightweight flats and explain why you believe that these rate increases are appropriate regardless of their impact on mailers.

USPS/VP-T1-31

- (a) Please confirm that under your rate proposals an origin-entered minimum-per-piece rated Standard Mail Regular automation 5-digit letter would pay a rate of 21.8 cents per piece and that the same letter, if it qualified as an ECR Basic letter would pay 18.5 cents, a difference of 3.3 cents. Explain any failure to confirm.
- (b) Please explain how your revenue, volume and contribution projections treat the impacts that are likely to arise from Regular automation 5-digit letters migrating to ECR in response to the 3.3 cent lower rates in ECR.