

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

Postal Rate Commission  
Submitted 10/3/2006 2:03 pm  
Filing ID: 53746  
Accepted 10/3/2006

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

**NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
VALPAK DIRECT MARKETING SYSTEMS, INC. AND VALPAK DEALERS'  
ASSOCIATION, INC. WITNESS ROBERT W. MITCHELL  
(NAA/VP-T1-1-38)  
October 3, 2006**

The Newspaper Association of America hereby submits the attached interrogatories to Valpak Direct Marketing Systems, Inc., and Valpak Dealers' Association, Inc., witness Robert W. Mitchell (VP-T-1) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

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William B. Baker  
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**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the instant document on all participants requesting such service in this proceeding in accordance with section 12 of the Rules of Practice.

October 3, 2006

William B. Baker  
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NAA/VP-T1-1: Please refer to your testimony at page 5, lines 12 to 14.

Please define what you mean by “low contributions” and by “high contributions.”

NAA/VP-T1-2: Please refer to your testimony at page 5, lines 12 to 14. Are Standard mailers making “low contributions” in comparison to any First Class mailers? If so, please explain. If not, why not?

NAA/VP-T1-3: Please explain your understanding of the proper use of unit contributions per piece in comparing the institutional cost contributions of Standard Mail, of First Class Mail, and of First Class Mail in comparison with Standard Mail.

NAA/VP-T1-4: Is it your testimony that the institutional cost contribution (as measured by cost coverages or by cost coverage indices) of Standard Enhanced Carrier Mail has not declined relative to the system-average since Docket No. MC95-1?

NAA/VP-T1-5: Please confirm that in every rate case since Docket No. MC95-1 except for Docket No. R2005-1, the Postal Service has proposed an average rate increase for Standard ECR mail below the system-wide average.

NAA/VP-T1-6: Is it your testimony that the Postal Service and Postal Rate Commission have not priced ECR mail on the basis of its cost and market

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characteristics since Docket No. MC95-1, or is your testimony that they have not done so to the extent that you now say that they should have?

NAA/VP-T1-7: Please state whether you believe that the rates for Standard ECR mail recommended by the Postal Rate Commission in the following cases were lawful:

- a. Docket No. R97-1
- b. Docket No. R2000-1
- c. Docket No. R2001-1
- d. Docket No. R2005-1

If you state that any of the rates in those cases were unlawful, please explain why not.

NAA/VP-T1-8: Please refer to your testimony at page 53, beginning with line 6. Does your reasoning (that as cost coverages increase, rates get further from marginal costs, and value of mail service gets impaired) apply to First Class Mail as well?

NAA/VP-T1-9: Have you calculated the stand-alone costs of Standard Regular mail? Of Standard ECR mail? Please provide all calculations that you have made of the stand-alone costs of those subclasses of mail.

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NAA/VP-T1-10: Have you examined whether the rates for First-Class Mail exceed the stand-alone costs of First-Class Mail? Why or why not?

NAA/VP-T1-11: Please refer to your testimony at page 59, lines 11 to 14. Please explain your understanding of how private delivery carriers are compensated for their services.

NAA/VP-T1-12: When did Publishers Express cease operations?

NAA/VP-T1-13: What effect, if any, did the Commission's decision in Docket No. MC95-1 have on the private delivery industry?

NAA/VP-T1-14: Please refer to your testimony at page 60, line 16. Who are the "handicapped competitors" to which you refer?

NAA/VP-T1-15: Do you believe that reducing rates for Standard ECR mail will improve the ability of private delivery firms to "make a go of it"?

NAA/VP-T1-16: Please refer to your testimony regarding the setting of Standard Nonprofit rates, beginning at page 61 of your testimony. Is it your belief that current Standard Nonprofit rates fail to comply with the Act?

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NAA/VP-T1-17: Do the implicit markups for presort First-Class Mail deprive the nation of the full benefit of that low-cost mailstream? Please explain any negative answer.

NAA/VP-T1-18: Consider an advertiser participating in a shared mailing such as mailed by ValPak or Advo. Please confirm that the price that advertiser will pay to participate in the mailing is different from the postage price faced by ValPak or Advo. If you cannot confirm, please explain why not.

NAA/VP-T1-19: Does the existence of the Private Express Statutes affect the estimated own-price elasticity of subclasses of mail that are subject to them? If so, what consideration should the Commission give to that effect?

NAA/VP-T1-20: Please refer to your testimony at page 80, line 13. Who comprises the "general public" to which you refer?

NAA/VP-T1-21: Please refer to your Table 1 at page 84. In the row labelled "Letters," are the percentages a fraction of the line labelled "Non-Saturation"? For example, in the ECR Comm column, does the 24.1% represent 24.1% of 43.2%, or of 100%?

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NAA/VP-T1-22:      Should criterion 5 (39 U.S.C. §3622(b)(5)) have a greater impact on the rates for Standard Regular or for Standard ECR mail? Please explain your answer.

NAA/VP-T1-23:      Is it your testimony that the Postal Service has, since Docket No. MC95-1, continued “the historic cost coverages of Regular and ECR, case after case” (page 93, line 9-10)?

NAA/VP-T1-24:      Please refer to your testimony at page 94, beginning with subsection “K”. Please confirm that at the time of Docket No. R90-1, First Class Mail was the largest class of mail in the postal system by volume, and that it constituted a majority of the mailstream.

NAA/VP-T1-25:      Please refer to your testimony at page 94, beginning with subsection “K”. Please confirm that at the time of Docket No. R94-1, First Class Mail was the largest class of mail in the postal system by volume, and that it constituted a majority of the mailstream.

NAA/VP-T1-26:      Please refer to your testimony at page 95 and the following pages. Please assume that Dr. Clifton (GCA-T-1) has correctly estimated the own-price

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elasticities of First Class single-piece and Standard Regular mail as -0.602 and -0.276, respectively. What implications would that have on your view that the cost coverage of Standard Regular should be somewhat below that of First-Class Mail?

NAA/VP-T1-27: Please refer to page 97, lines 11 to 16. What would be the average rate changes for Standard Regular and for ECR with your alternative recommended cost coverages?

NAA/VP-T1-28: Are you advocating a 100 percent recognition of the cost differences between letters and flats at the Standard ECR high-density and saturation levels? Please explain any negative answer.

NAA/VP-T1-29: In connection with the proposed DAL surcharge and your suggestion for a surcharge for non-automation and/or non-machinable Standard ECR basic letters, please state your understanding of the role of a surcharge in postal rates?

NAA/VP-T1-30: Please refer to page 129, lines 7-8 of your testimony. Please provide a citation for your statement that Mr. Kelley has estimated the Test Year cost of DALs to be \$165 million.

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NAA/VP-T1-31: Please refer to page 174 of your testimony. Did you perform any analysis to determine the basis for the estimated difference between Standard basic and high-density flats reported by the Postal Service? If so, please provide that analysis. If not, why not?

NAA/VP-T1-32: Please confirm that, according to USPS witness Kelley (NAA/USPS-T30-8), Standard ECR high-density flats are estimated to have lower unit rural delivery costs than saturation flats in the Test Year.

NAA/VP-T1-33: Please confirm that, according to USPS witness Kelley (NAA[USPS-T30-7), the city delivery unit costs of ECR high-density flats are projected to increase less between the Base Year and the Test Year than is the case for ECR saturation flats.

NAA/VP-T1-34: Other than your reference to "historical levels," do you have any reasons to question the accuracy of the city and rural delivery unit costs for ECR high-density flats provided by the Postal Service? If so, please state those reasons.

NAA/VP-T1-35: Please refer to your testimony at page 174, line 9. Please confirm that you have no basis in the data in this case for crediting 1.4 cents of high-

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density cost savings to saturation mail. If you cannot confirm, please provide full citations to that data.

NAA/VP-T1-36: Please refer to pages 174-175 of your testimony. Explain fully how crediting saturation flats with 1.4 cents of cost savings attributed by the Postal Service to high-density flats will allow saturation flats rates “to be based on its costs.”

NAA/VP-T1-37: Please refer to page 176, line 7 of your testimony. Do you believe that 41.4 percent of saturation flats will use DALs in the Test Year? Why?

NAA/VP-T1-38: Assume that there is credible reason to believe that the proportion of saturation flats using DALs in the Test Year will be substantially less than 41.4 percent. How should your rate proposal be modified to accommodate that scenario?