

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

POSTAL RATE AND FEE CHANGES, 2006 )

Docket No. R2006-1

ERRATUM TO INITIAL BRIEF OF  
VALPAK DIRECT MARKETING SYSTEMS, INC. AND  
VALPAK DEALERS' ASSOCIATION, INC. (ERRATUM)  
(December 28, 2006)

This erratum provides a correction to Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc.'s Initial Brief filed on December 21, 2006. On page III-3, footnote 7 reads, "... the traditional standard has been 8 and 18 per minute for letters and flats, respectively." These numbers were transposed. The sentence instead should read "... the traditional standard has been 18 and 8 per minute for letters and flats, respectively." A revised page III-3 is attached.

Respectfully submitted,

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William J. Olson  
John S. Miles  
Jeremiah L. Morgan  
WILLIAM J. OLSON, P.C.  
8180 Greensboro Drive, Suite 1070  
McLean, Virginia 22102-3860  
(703) 356-5070

Counsel for:  
Valpak Direct Marketing Systems, Inc., and  
Valpak Dealers' Association, Inc.

**A. The Problem in Costing of Saturation Letters and Flats Created by Capacity Constraints**

The basic problem is that the Postal Service's third-bundle, or "extra" bundle, delivery method creates a peculiar, previously overlooked problem for proper costing of ECR saturation letters and flats (including both addressed flats, and unaddressed flats accompanied by DALs). Stated simply, there is a limit to the number of extra bundles that city carriers can take directly to the street. When that limit is reached, the Postal Service must make an operational decision to take to the street either flats or letters, but not both. Whichever product is taken directly to the street has the distinct benefit of zero in-office time for casing, and virtually no in-office time in handling.<sup>6</sup> Letters can be DPS'd or cased at considerably less cost than flats can be cased.<sup>7</sup> Consequently, it can be expected that flats are the products routinely taken to the street, not letters. Therefore, whenever such a conflict occurs, the Postal Service costing systems reflect higher incurred cost to handle the relatively low-cost letters, and lower incurred cost to handle the relatively high-cost flats.

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<sup>6</sup> Postal Service witness Joyce K. Coombs (USPS-T-44) explained that when a saturation mailing is taken directly to the street, the in-office cost of handling that mailing is essentially zero. Tr. 13/3741, ll. 14-18. Obviously then, the lowest (zero) cost way to handle saturation letters, if there were no saturation flats, would be to take them directly to the street.

<sup>7</sup> Although automated sequencing of letters is now routine, automated sequencing of flats is not yet a possibility. With respect to manual casing of letters and flats, the traditional standard has been 18 and 8 per minute for letters and flats, respectively. In Docket No. R90-1, Postal Service witness Shipe testified that saturation letters and flats could be cased at rates of 47.4 pieces per minute for letters and 31.5 pieces per minute for flats. USPS-T-10, p. 19, ll. 4-11. The test results reflected bound or enveloped flats. Roughly half of all saturation flats consist of covers, or wraps. These are considered to be much more time-consuming to case than bound catalogs, and carriers virtually never case covers or wraps. As a result, in the Postal Service's costing methodology, the most difficult-to-handle pieces wind up with the lowest recorded cost of all saturation mail.