

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

POSTAL RATE AND FEE CHANGES, 1997 )

RECEIVED  
Docket No: R97-1

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RESPONSE OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.,  
VAL-PAK DEALERS' ASSOCIATION, INC., AND  
CAROL WRIGHT PROMOTIONS, INC. TO SECOND SET OF INTERROGATORIES  
OF NEWSPAPER ASSOCIATION OF AMERICA (NAA/VP-CW-T1-8-11)  
(February 11, 1998)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Val-Pak Direct Marketing Systems, Inc., Val-Pak Dealers' Association, Inc., and Carol Wright Promotions, Inc., d/b/a "Cox Direct," hereby provide the responses of witness John Haldi to the following interrogatories of the Newspaper Association of America: NAA/VP-CW-T1-8-11, served on January 28, 1998. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,



William J. Olson

John S. Miles

Alan Woll

John F. Callender, Jr.

WILLIAM J. OLSON, P.C.

8180 Greensboro Drive, Suite 1070

McLean, Virginia 22102-3823

(703) 356-5070

Counsel for Val-Pak Direct Marketing Systems, Inc.,  
Val-Pak Dealers' Association, Inc., and  
Carol Wright Promotions, Inc.

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.



William J. Olson

February 11, 1998

**NAA/VP/CW-T1-8.**

You note (p. D-7, fn. 5) that weight and cube may play a highly significant role in the number of containers that enter a facility. Is the Postal Service's cost study of LR-H-182 biased because it ignores the relationship between weight/cube and the costs of handling empty equipment? If so, does this bias overestimate or underestimate the effect of weight on cost? Please explain.

**Response:**

As your question points out, I have postulated that weight and cube may be significant factors with respect to the number of containers that enter a facility. To the extent that my premise is correct, then a study that ignores the relationship between weight of mail and the costs of handling empty equipment will be biased in the direction of understating costs attributed to weight.

**NAA/VP/CW-T1-9.**

Is the Postal Service's cost study LR-H-182 biased because it does not control for destination entry category (DDU, DSCF, DBMC, none)? If so, does this bias overestimate or underestimate the effect of weight on cost? Please explain.

**Response:**

As my testimony notes, the Postal Service has documented the relationship between weight and costs avoided by virtue of destination entry. For example, mail that is not shipped to any destination entry point, is not highly presorted, and therefore must be taken into a facility to be processed, may incur weight-related costs. It is precisely these costs that a proper weight-cost study should seek to measure. On the other hand, it should also be obvious that mail which is dropshipped directly to a DDU will bypass any intermediate handling and certainly will not incur any intermediate weight-related costs whatsoever (to the extent that such costs exist). The same is true, to a lesser extent, of mail dropshipped to SCFs and BMCs. When tallies of mail dropshipped to destination entry points are treated like any other tallies, with no controls, the likely result will be to understate the weight-cost relationship — unless, of course, one assumes that there are no intermediate handling costs caused by weight and/or cube.

**NAA/VP/CW-T1-10.**

The Postal Service's cost study LR-H-182 allocates city carrier street time costs among weight increments using pieces, not weight. To the extent that city carrier street time costs are weight-related, is LR-H-182 is biased? If so, does this bias overestimate or underestimate the effect of weight on cost? Please explain.

**Response:**

As worded, this question virtually answers itself. To the extent that city carrier street time costs are weight-related, a study that totally ignores any possible causal relationship and treats all city carrier street time costs as piece-related will obviously be biased in the direction of understating weight-related costs. No study can investigate a possible weight-cost relationship when, at the outset, any possible relationship is assumed out of existence. See testimony of witness Bradstreet, AAPS-T-1, pages 33-41, for a discussion of how weight may affect carrier street time costs.

**NAA/VP/CW-T1-11.**

Approximately 60% of Cost Segment 7 is not attributed.

- (a) Are all of the institutional costs in Cost Segment 7 non-volume-variable? If not, please explain how much is volume variable and why.
- (b) If all of the volume disappeared from the system, what portion of these Cost Segment 7 institutional costs would remain? Please explain.

**Response:**

- (a) I have not testified about the volume variability of cost segment 7. It is my understanding that non-volume variable costs have traditionally been treated as institutional costs in proceedings before the Commission.
- (b) I do not fully comprehend the question. The study in LR-H-182 pertains to the effect of weight on bulk mail. If the question is intended to ask what would happen if all bulk mail volume disappeared from the system, I would not expect any diminution in the institutional costs of Cost Segment 7. Alternatively, if the question concerns what would happen if all mail volume — First-Class, periodicals, bulk mail, etc. — disappeared entirely, my response to this rather extreme hypothetical is that I would expect the Postal Service to fold up its tent and ride off into the sunset.

DECLARATION

I, John Haldi, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
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Dated: February 11, 1998