Postal Regulatory Commission
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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report	)))	Docket No. ACR2010

VALPAK DIRECT MARKETING SYSTEMS, INC. AND VALPAK DEALERS' ASSOCIATION, INC. NOTICE OF ERRATA TO INITIAL COMMENTS ON THE UNITED STATES POSTAL SERVICE FY 2010 ANNUAL COMPLIANCE REPORT (ERRATA)
(February 14, 2011)

The Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. (hereinafter "Valpak") Initial Comments on the United States Postal Service FY 2010 Annual Compliance Report filed on February 2, 2011, contained an error page 68 with respect to the amount of a price decrease the profitable products in Standard Mail could receive if the Postal Service maintained the same amount of contribution from that class if the two underwater products were to breakeven. That sentence should have read "Alternatively, if the Postal Service can live with a contribution from Standard Mail of only $5,412.7 million, by eliminating all losses on the two underwater products, it could give the other four Standard Mail products a 5.4 percent across-the-board price decrease." A corrected page 68 is attached.

Respectfully submitted,

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relationships like this, it is a wonder that Postal Service finances are not in worse financial disarray. Deliberately pricing products substantially below attributable cost, pricing inelastic products favorably, and pricing elastic products unfavorably, raises serious questions as to Postal Service pricing.

C. Underwater Products Substantially Reduce Standard Mail's Contribution to Institutional Costs.

The FY 2010 contribution from each Standard Mail product is shown in Table V-3. In FY 2010, the total contribution from Standard Mail was $5.4 billion, providing 25.1 percent of the contribution from all market dominant mail.[57] Contribution from the four profitable products was $6.2 billion. (That figure could be viewed as reflecting Standard Mail's potential contribution.) However, losses incurred on the two underwater products, $0.8 billion, materially detracted from that potential. If the Postal Service had eliminated all losses on Flats and NFMs/Parcels, the contribution from all Standard Mail would have increased by $0.8 billion, increasing Standard Mail's share of total contribution by market dominant products from 25.1 to 28.6 percent. Alternatively, if the Postal Service can live with a contribution from Standard Mail of only $5,412.7 million, by eliminating all losses on the two underwater products, it could give the other four Standard Mail products a 5.4 percent across-the-board price decrease.

[57] Pursuant to 39 C.F.R. section 3015.7(c), the contribution from Competitive Products must be at least 5.5 percent of total institutional costs. In FY 2010, it was 7.12 percent. *See* USPS-FY10-39.