

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

Rate Adjustment due to Extraordinary or)
Exceptional Circumstances)

Docket No. R2013-11

**ERRATA TO INITIAL COMMENTS
OF VALPAK DIRECT MARKETING SYSTEMS, INC., AND
VALPAK DEALERS' ASSOCIATION, INC.**
(December 5, 2013)

Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. (hereinafter "Valpak") expresses its appreciation to the Public Representative for its Initial Comments which clarify an issue which had apparently confused the Commission, confused the Public Representative, and likewise confused Valpak. However, the Commission issued an information request to clarify it, and the Public Representative took note of the clarification filed by the Postal Service. Valpak's counsel had not taken note of the clarification. As a result, Valpak's Initial Comments contained a few statements which need modification, and the need for this errata.

The confusion emanated from Witness Nickerson's Table 2, entitled "Exigent Revenue and Contribution Losses (in millions), FY 2008 - FY 2012, with rows labeled FY 2008, FY 2008 thru 2009, FY 2008 thru 2010, FY 2008 thru 2011, and FY 2008 thru 2012. Of particular significance was the lost contribution (\$6,644 million) shown in the last line of the table, for the row labeled period "FY 2008 thru 2012." Valpak had read this line to mean that the Postal Service was claiming \$6,644 million in losses for FY 2008 through FY 2012, and that it was asking for a portion of those multi-year losses in this exigent docket. It turns out

that this may have been what Witness Nickerson said, but it is not what he meant. And, it must be that the same confusion led the Commission to issue POIR No. 6, Q. 16.

As the Public Representative stated: “The Postal Service’s statements are confusing, and required POIRs and questions posed at the hearings to be made clear.... Clarification was needed [in Nickerson Statement Table 2] that the volume, revenue, and contribution figures presented by the Postal Service were not cumulative, but represented losses in individual fiscal years. See POIR No. 6, question 14 [sic, 16].” Counsel for Valpak now appreciates this clarification.

Of course, properly understood, the Postal Service’s request is even more astounding than it seemed before. Previously, Valpak had been surprised that the Postal Service was claiming a loss of contribution “due to” the 2008-2009 recession over the five years from FY 2008 to FY 2012 of \$6,644 million based on lost contribution cumulatively over that period. How much more surprising it was for counsel for Valpak to read the Public Representative’s comments and learn that the Postal Service was claiming recession-related losses of \$6,644 million for one year alone, FY 2012. This means, the Postal Service is claiming a loss of multiples of that amount — over \$22,100 million — for the five year period, plus even further losses in FY 2013 and for 20 or more years into the future. See Public Representative Initial Comments, p. 17; Tr. 2/211 (Nov. 20, 2013). To put this number into context, the Postal Service’s actual cumulative net operating loss (without RHBf payments) from FY 2008 through FY 2012 was only \$11,984 million. (Of course, these generally lean years were bracketed by operating profits in FY 2007 of \$3,031 million and in FY 2013 of \$790 million.)

As a result, certain statements in Valpak's Initial Comments must be modified, as follows:

- p. 48, l. 14 replace "the five-year period FY 2008 - 2012" with "FY 2012"
- p. 49, Table V-1 replace "cumulative" with "annual"
- p. 51 delete page
- p. 70, l. 8 insert "in FY 2012" before "from the 2008-2009 recession"
- p. 78, l. 5 insert "in FY 2012" after "volume"
- p. 79, Table VII-2 replace "cumulative" with "annual"
- p. 84, ll. 17-18 insert "in FY 2012" after "losses"
- p. 86, l. 1 replace "the period FY 2008 - 2012" with "FY 2012"
- p. 101, l. 14 insert "in FY 2012" after "lost"

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