

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

POSTAL RATE AND FEE CHANGES, 2006 )

Docket No. R2006-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND  
VALPAK DEALERS' ASSOCIATION, INC.  
THIRD INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS A. THOMAS BOZZO (VP/USPS-T12-16-18)  
(June 23, 2006)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. hereby submit interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate Postal Service witness.

Respectfully submitted,

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Valpak Dealers' Association, Inc.

**VP/USPS-T12-16.**

Please refer to your response to VP/USPS-T12-13, as well as to the testimony of witness Bradley (USPS-T-22) in Docket No. R2000-1 at page 34, lines 10-14, concerning the discussion of Priority Mail sorting operations, and the statement there that such operations “can and do sort other classes of mail, but without Priority Mail, those classes would be sorted in other operations. Consequently, if the Postal Service decided not to provide Priority Mail, the institutional costs for these operations would not exist. These costs thus are part of Priority Mail’s incremental cost.”

- a. Do you agree with the above-cited analysis that the institutional costs in those Priority Mail operations are properly considered part of Priority Mail’s incremental costs, even though small amounts of other classes of mail also are sorted in the Priority Mail cost pool? Please explain fully any disagreement.
- b. In general, do you agree with the view that the institutional costs of a cost pool may properly be considered incremental both to that pool and the principal class of mail processed in that pool, even if small amounts of other mail are processed therein, provided that the cost pool would not exist if the principal class of mail processed in that pool did not exist? If you disagree, and believe that determination of incremental cost as discussed in preceding part A is limited exclusively to Priority Mail, please explain fully why that is necessarily the case.

**VP/USPS-T12-17.**

Please refer to your responses to VP/USPS-T12-11(b) and VP/USPS-T12-13.

- a. In your response to VP/USPS-T12-11(b), you stated that “If the sort scheme solely processed First-Class Mail, then the setup and takedown time could be considered incremental to the class in the sense that the associated cost could be avoided if the First-Class Mail service were no longer provided.” In a situation where the cost of the setup and takedown time could be considered incremental to First-Class Mail, would it be appropriate to consider any such incremental cost an “intrinsic” cost, similar to the treatment of non-volume variable costs in the SPBS Priority and Manual Priority cost pools? If not, please explain why not.
- b. Is it your position that if any mail other than First-Class were to be processed in the scheme discussed in VP/USPS-T12-11(b), then no matter how small the volume of such other mail might be, under no circumstances could the cost of setup and takedown time be considered incremental to First-Class Mail? Please explain your position.

**VP/USPS-T12-18.**

- a. When a plant has, say, two BCS/DBCS machines, each one fully staffed, would your data base for that plant be recorded as having one or two BCS/DBCS MODS cost pools? That is, for each BCS/DBCS machine in a plant do you have separate MODS data, or are the BCS/DBCS MODS cost pool data

aggregated over all BCS/DBCS machines in the plant, regardless of how many machines the plant has? Please explain.

- b. Please refer to your testimony (USPS-T-12) at page 5, lines 11-14, define the term “work center” as you use it there, and explain all differences, if any, between a work center and each of the 11 MODS cost pools shown in your Table 1 (p. 3, l. 13). In conjunction with your response, please assume that some plants have multiple BCS/DBCS machines and explain whether, in such a plant, (i) all BCS/DBCS machines collectively represent one work center, or (ii) each BCS/DBCS machine represents a separate work center.