

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

RATE AND SERVICE CHANGES TO IMPLEMENT )  
BASELINE NEGOTIATED SERVICE AGREEMENT )  
WITH BOOKSPAN )

Docket No. MC2005-3

VALPAK DIRECT MARKETING SYSTEMS, INC. AND  
VALPAK DEALERS' ASSOCIATION, INC.  
FIRST INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS MICHAEL K. PLUNKETT (VP/USPS-T1-1-7)  
(August 26, 2005)

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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**VP/USPS-T1-1.**

Please describe separately each component of the Bookspan NSA that any subsequent NSA must contain in order to be considered or treated as functionally equivalent to the Bookspan NSA.

**VP/USPS-T1-2.**

For purposes of this interrogatory, please consider that Bookspan is one of a number of firms classified as continuity shippers, meaning that it regularly sends products to a list of people who have agreed to purchase some stipulated minimum number of items (which in the case of Bookspan is a minimum number of books) on a more or less regular basis. Other continuity shippers sell a variety of products, such as women's cosmetics, women's hosiery, etc.

- a. Is being a continuity shipper a critical component of this baseline Bookspan NSA? That is, in order for an NSA to be functionally equivalent to the Bookspan NSA, must the mailer be, or have the characteristics of, a continuity shipper?
- b. Please explain why being a continuity shipper would or would not be a critical component for a functionally equivalent NSA based on the Bookspan baseline NSA.

**VP/USPS-T1-3.**

Witness Yorgey (USPS-T-2) estimates that about five-eighths of the additional contribution from the Bookspan NSA is derived from shifting existing mail volume from a low contribution rate category (*i.e.*, flats) to a higher contribution rate category (*i.e.*, letters).

- a. Is changing existing mail volume from a low contribution rate category to a higher contribution rate category considered to be a critical component of this baseline NSA, so that it would be required for any subsequent NSA to be considered functionally equivalent to the Bookspan NSA?
- b. If switching to a rate category with a higher contribution is not a critical component, or characteristic, in order for some subsequent NSA to be functionally equivalent to the Bookspan NSA, please explain all reasons why it is not.
- c. If switching mail volume to a rate category with a higher unit contribution is not a critical component for a subsequent NSA to be considered functionally equivalent to the Bookspan NSA, is the only critical component of this baseline NSA that it generates increased volume by providing a discount for such volume? Please list and explain any other critical component.
- d. If switching mail volume to a rate category with a higher unit contribution is a critical component of the Bookspan NSA, should a proposed functionally equivalent NSA be required to surpass a minimum percentage threshold for its share of increased contribution from switching to a higher rate category, or will any switching whatsoever qualify such NSA as functionally equivalent?

**VP/USPS-T1-4.**

In order for any NSA subsequent to the proposed NSA with Bookspan to be considered functionally equivalent, does the mailer that is party to such NSA have to be a competitor of Bookspan? That is, does it have to be in the business of selling books (or other competing media)?

**VP/USPS-T1-5.**

- a. Is increased volume a *sine qua non* for functional equivalency to the Bookspan NSA?
- b. Is increased volume the only prerequisite for functional equivalency to the Bookspan NSA? If not, what else constitutes the minimum requirement?
- c.
  - (i) If increased volume is all that is needed for a commercial mailer to qualify for an NSA with one or more discounts for such volume, would non-profit mailers that offer the Postal Service increased volume also qualify for NSAs that are functionally equivalent to the Bookspan NSA?
  - (ii) Is this what the Postal Service intends to achieve with the Bookspan NSA? If not, what does it intend, and how does the Postal Service propose to clarify/limit the number of mailers that, at least potentially, would be eligible for a functionally equivalent NSA?

**VP/USPS-T1-6.**

Please answer the following questions with respect to the “multiplier effect.”

- a. If the “multiplier effect” is to be given any consideration, why has the Postal Service not presented any quantitative data to support the assertion that it exists?
- b. In the absence of any quantification of the “multiplier effect,” how can should the Commission evaluate this aspect of the proposed NSA?
- c. In the absence of any quantification of the “multiplier effect,” how can the Postal Service, the Commission and other mailers later evaluate the degree to which the Bookspan NSA has succeeded in adding incremental contribution over that received from Bookspan itself under the proposed NSA?
- d. What role does/should the “multiplier effect” have in the assessment of any subsequent NSA offered as “functionally equivalent?”
- e. What is the minimum threshold for “multiplier effects” below which no consideration should be recognized?

**VP/USPS-T1-7.**

- a. With respect to the discount that the proposed NSA offers Bookspan if or when it switches existing mail volume from a low contribution category to a higher contribution category, would it be fair to say that the proposed discount offers pricing signals to Bookspan that, from the perspective of the Postal Service, are better than the pricing signals contained in the existing rate structure? Please explain any answer that is not an unqualified affirmative.

- b. If so, would it not be a better approach for the Postal Service to request the Commission to modify generally applicable rates to give the same pricing signals to all mailers? If not, please explain why not.
- c. If the Bookspan NSA were approved and implemented as proposed, would it in any way operate to lead to or cause a change in generally applicable rates more likely or less likely? Please explain.