

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

RATE AND SERVICE CHANGES TO IMPLEMENT )  
BASELINE NEGOTIATED SERVICE AGREEMENT ) Docket No. MC2007-1  
WITH BANK OF AMERICA CORPORATION )

VALPAK DIRECT MARKETING SYSTEMS, INC. AND  
VALPAK DEALERS' ASSOCIATION, INC.  
FIRST INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS ALI AYUB (VP/USPS-T1-1-19)  
(March 9, 2007)

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 witness.

Respectfully submitted,

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

Please refer to your testimony at page 3, lines 15-17, where you state, “[t]he Postal Service continues to believe in the importance of price differentiation among customers....”

- a. Please define the term “price differentiation” as you use it at this point of your testimony. In particular, please explain whether you are referring to:
  - (i) price differences as reflected in the rates charged for **different categories** of mail (within subclasses); and/or
  - (ii) price differences **within** individual rate categories that are available only through NSAs and not available to any mailer not a party to an NSA, and **identical** across NSAs among similarly situated mailers; and/or
  - (iii) price differences **within** individual rate categories that are available only through NSAs and not available to any mailer not a party to an NSA, and **not identical** across NSAs among similarly situated mailers.
- b. Please explain all reasons why the Postal Service believes that price differentiation among customers, as you define it in preceding part b, is important.
- c. Is it the Postal Service’s position that similarly situated mailers should pay different rates for the same service? Unless your response is an

unqualified negative, please explain all reasons why similarly situated mailers should be offered different rates by the Postal Service.

- d. Does the Postal Service plan to offer some mailers service that is more consistent in return for a higher rate? (*See, e.g.*, testimony of witness Janyce Pritchard (Flute-T-1) on behalf of The Flute Network in Docket No. R2006-1.)

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

Please refer to your testimony at page 4, lines 1-3, where you state that, in the traditional process, “customers interact with the Postal Service **only** through proceedings before the Postal Regulatory Commission, published tariff rules and related procedures.” (Emphasis added.)

- a. In your opinion, does the Mailers Technical Advisory Committee (“MTAC”) fall under the rubric of “related procedures” as you use that term in your testimony?
- b. Do you consider that meetings of MTAC, as well as subcommittees and working groups thereof, constitute interaction with the Postal Service?  
Please explain any negative answer.
- c. If your answer to preceding part b is affirmative, please explain the basis for your above-quoted statement.

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

Please refer to your testimony at page 9, lines 21-24, where you discuss Seamless Acceptance.

- a. At what stage of development is Seamless Acceptance?
- b. When is Seamless Acceptance scheduled for field testing?
- c. When does the Postal Service anticipate that it will begin deploying Seamless Acceptance?
- d. When does the Postal Service anticipate that deployment of Seamless Acceptance will be complete?
- e. Please describe all respects in which the Bank of America Corporation (“BAC”) is being compensated by the Postal Service via this NSA for adopting Seamless Acceptance after it is deployed. If BAC is not being compensated in any way for its agreement to adopt Seamless Acceptance, please explain:
  - (i) The import of your testimony in Section III.B.5 on page 12; and
  - (ii) Whether the Postal Service expects widespread adoption of Seamless Acceptance by other bulk mailers without benefit of reduced rates under NSAs. If so, what inducement (if any) does the Postal Service expect to offer other mailers who do not have an NSA to adopt and use Seamless Acceptance?

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

Please refer to your testimony at page 10, line 16, where you state that one objective of Seamless Acceptance is to “[e]nsure higher quality levels.”

- a. Please explain the extent to which the higher quality levels that are the objective of Seamless Acceptance refer to:
  - (i) The acceptance process itself, or
  - (ii) Mail processing subsequent to being accepted, or
  - (iii) Delivery.
- b. Please explain how the Postal Service plans to measure and assess changes in the level of quality associated with Seamless Acceptance, as described in your response to preceding part a.

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

Please refer to your testimony at page 11, lines 5-6, where you state that one of the changes BAC agrees to incorporate in its mailing practices is to use the Centralized Automated Payment System (“CAPS”) for all transactions.

- a. How many mailers have and use CAPS accounts, based on the most recent data available?
- b. What percentage of all First-Class and Standard Mail is now paid for through CAPS?
- c. What percentage of BAC’s First-Class and Standard Mail is currently entered and paid for through CAPS?

- d. Please identify the principal means now used by BAC to pay for its bulk mailing transactions?
- e. Please provide the approximate percentage of BAC's bulk mail volume that for which payment is made using means other than electronic payment.
- f. What incentives does the Postal Service now give mailers in order to induce them to begin using CAPS?
- g. Please describe the principle benefits to the Postal Service from having mailers use CAPS.

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

Please refer to your testimony at page 11, lines 7-8, where you state that one of the changes BAC agrees to incorporate in its mailing practices is to present electronic manifest for all pallets, trays and pieces in either a Mail.dat or web services file.

- a. What percentage of BAC's bulk **First-Class Mail** is currently entered on a Mail.dat or web services file?
- b. What percentage of BAC's **Standard Mail** is currently entered on a Mail.dat or web services file?
- c. In general, how extensive and expensive will these changes required by the NSA be for BAC?

- d. In what ways, and to what extent, can this NSA be deemed to compensate BAC for using CAPS and presenting electronic manifest for all pallets, trays and pieces in either a Mail.dat or web services file?
- e. Will this NSA become a precedent by which other large bulk mailers will expect or demand an NSA in return for continuing to use operational practices such as entering mail on a Mail.dat or web services file?

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

Please refer to your testimony at page 12, lines 6-8.

- a. When will the design and development of eDropShip be completed?
- b. When is eDropShip scheduled for field testing?
- c. When does the Postal Service anticipate that it will begin deploying eDropShip?
- d. When does the Postal Service anticipate that deployment of eDropShip will be complete?
- e. Please describe all respects in which BAC is being compensated by the Postal Service via this NSA for adopting eDropShip after it is deployed. If BAC is not being compensated in any way for its agreement to adopt eDropShip, please explain:
  - (i) The import of your testimony in Section III.B.5 on page 12; and
  - (ii) Whether the Postal Service expects widespread adoption of eDropShip by other bulk mailers without any resort to NSAs. If

so, what inducement (if any) does the Postal Service expect to offer other mailers who do not have an NSA to adopt and use eDropShip?

**VP/USPS-T1-8.**

Please refer to your testimony at page 16, lines 16-19, where you refer to USPS-LR-L-110 in Docket No. R2006-1, the source of the benchmark 96.8 percent accept rate.

- a. Are the data in USPS-LR-L-110 based on **comprehensive** reporting of results on all Postal Service sorting equipment (*i.e.*, on a “census”)? If not, do the data represent a **statistical sample** of some of the Postal Service’s letter sorting equipment? If so, is the sample representative of all generations of equipment in use at the time of the sample?
- b. Do the data constitute daily reports on each individual piece of equipment represented in the in the database, or are the data first aggregated to some higher level before being entered into the database? For example, are the data first aggregated in the field over a week, month, or other accounting period before being entered into the database? Or, are the data first aggregated over all letter sorting equipment in the plant and then reported as just one entry?
- c. Please provide all measures of dispersion about the 96.8 percent national average that are available (*e.g.*, by facility, by different time periods, etc.), and indicate whether the dispersion is based on individual daily

readings on sorting equipment, or aggregations over various pieces of sorting equipment, or aggregations over some period of time longer than a day.

- d. Does the Postal Service have data showing the trend in the accept rate since, say, 2000? If so, please provide such data.
- e. What is the time period covered by the data used to compute the 96.8 percent accept rate — *i.e.*, in what year(s) were the data recorded, and what was the length of the period covered by the data?
- f. Please explain all reasons why you think 96.8 percent represents an acceptable benchmark for the period covered by this NSA with BAC.
- g. In view of the Postal Service's efforts to work with mailers to improve address quality and to use MERLIN, as well as efforts to improve equipment, does the Postal Service have any data showing the trend in accept rates over some period of time (*e.g.*, over the period from 2000 to 2006)?
- h. In view of various efforts by the Postal Service to improve address quality, can you refute the hypothesis that there is an upward trend in accept rates and, if there is not an upward trend, would you consider that to indicate no return on (i) the Postal Services's efforts to work with mailers and (ii) the investment by mailers to improve address quality?

**VP/USPS-T1-9.**

Please refer to your testimony at page 16, lines 8-9.

- a. For letters that fail to be “read and accepted” — *i.e.*, the 3.2 percent that are excluded from the baseline value — please describe or list each reason known to the Postal Service that cause letters to fail to be read and accepted during the first pass on Postal Service letter sorting equipment (*e.g.*, (i) poor reflectance of window envelope, (ii) barcode not readable in window, (iii) envelope not sealed properly, (iv) unreadable barcode (*e.g.*, smeared, tilted, wrong position), (v) printed address and barcode inconsistent, (vi) color/contrast cause barcode/address to be unreadable, (vii) contents too thick, etc.).
- b. For each reason provided in response to preceding part a, please state whether the reason is primarily under the control of the Postal Service or the mailer.
- c. If the Postal Service has data on the number or relative frequency associated with each reason which you list or describe in response to preceding part a, please provide such data. If not, please indicate the chief reasons thought to account for the majority of failures of letters to be read and accepted during the first pass on Postal Service sorting equipment.

- d. Please provide copies of all studies since FY 2002 concerning reasons for failure of some presorted letters to be read and accepted on the first pass through the Postal Service's letter sorting equipment.
- e. To the extent known, please indicate those reasons considered to be the most important factors likely to cause 3.2 percent of BAC's mail to fail being read and accepted by Postal Service sorting equipment on the first pass.
- f. What influence has use of MERLIN had on accept rates? In addition to deployment of MERLIN, please list all technological changes made by the Postal Service in the last five years that would improve the accept rates.
- g. Do the various generations of sorting equipment now in place have technological differences that would cause accept rates to differ in different locations?
- h. Is the Postal Service considering any technical changes that would increase accept rates? If so, please identify such changes and indicate whether such changes are being developed, or are currently being tested, and when procurement and deployment might be anticipated.

**VP/USPS-T1-10.**

Please refer to your testimony at page 16, lines 9-14.

- a. Please define the phrase "read and accepted" as you use it on line 11.

- b. If letters jam during their first pass on the Postal Service letter sorting equipment, are such letters counted as having received a first pass through Postal Service mail sorting equipment? That is, are letters that jam included in the denominator which you describe here, and define in the NSA, § IV.C.3.a and b?
  - (i) If not, why not?
  - (ii) If so, what percentage of letters jam during a first pass on Postal Service mail sorting equipment?
- c. If letters that are Undeliverable as Addressed (“UAA”) are not sorted to a reject bin on the first pass, are such letters considered to be successfully read and accepted? Please explain.

**VP/USPS-T1-11.**

Please refer to your testimony at page 16, lines 9-14, where you explain the data that will be used to ascertain, or measure, the read/accept rate for BAC letters. Are the definitions of the numerator and denominator used to ascertain the read/accept rate for BAC letters identical to the definitions used to determine the benchmark read/accept rate of 96.8 percent? If the definition for the data in either the numerator or the denominator are not identical, please explain all differences.

**VP/USPS-T1-12.**

Please refer to your testimony at page 17, lines 19-21, where you state, “The estimated cost savings to the Postal Service over duration of the agreement is ... \$1.4 million for delivery operations [for First-Class Mail].” Appendix A, page 1, line 7, shows \$1,554,257 in total savings for delivery of First-Class Mail. Please reconcile the difference.

**VP/USPS-T1-13.**

Please refer to your testimony at page 18, lines 8-10, where you state that “BAC has agreed to waive physical return of ... all Standard Mail volume.”

- a. For the most recent 12 months for which data are available, what is the volume of BAC’s Standard Mail that has received physical return?
- b. Please explain why the volume of Standard Mail reported in preceding part a received physical return.

**VP/USPS-T1-14.**

Please refer to your testimony at page 22, lines 19-22, where you discuss revenues on Address Change Service (“ACS”) notices from BAC’s Standard Mail.

- a. Does BAC currently put ACS notices on some or all of its Standard Mail?  
If so, approximately what percentage?
- b. Does BAC agree in this NSA to increase its use of ACS notices on its Standard Mail?

- c. What incremental revenue does the Postal Service expect that it will receive from BAC from an increase usage of ACS notices on Standard Mail?

**VP/USPS-T1-15.**

Please refer to your testimony at page 4, lines 3-6, where you state that the “novel and innovative ideas” incorporated in this NSA with BAC have “potential for broad applicability.”

- a. Please elaborate on what you mean by “broad applicability.” In particular, please explain whether some of these “novel and innovative ideas” could become future candidates for (i) inclusion in the regular rate structure, or (ii) new mailing requirements for bulk letter mail, or (iii) one or more possible niche classifications. In your response, please explain with particularity which ideas contained in the NSA would be candidates for (i), or (ii), or (iii) above.
- b. If your response to part a excludes some of the “novel and innovative ideas” incorporated in this NSA with BAC, please identify and discuss (i) which “novel and innovative ideas” do not have, potentially, broad applicability, or (ii) those other “novel and innovative ideas” that do have, potentially, broad applicability, but whose implementation is limited to NSAs because they are not amenable to implementation on a broad scale other than via NSAs.

**VP/USPS-T1-16.**

Please refer to your testimony at page 26, lines 21-23, where you state that “the Postal Service recognizes an affirmative obligation to make comparable terms available to companies that are deemed functionally equivalent...”

- a. What would be the major characteristics of bulk letter mailers “deemed to be functionally equivalent” to BAC?
  - (i) Would “functional equivalence” be restricted to banks?
  - (ii) Would “functional equivalence” be restricted to financial institutions, including, but not limited to, banks?
  - (iii) Would “functional equivalence” include any mailer which submits First-Class bulk letters?
  - (iv) Would “functional equivalence” include any mailer which submits Standard commercial letters?
  - (v) Would “functional equivalence” include any mailer which submits Standard ECR letters?
  - (vi) Would a mailer have to submit both First-Class and Standard bulk letters in order to be deemed “functionally equivalent” to BAC?
- b. Please explain the major distinguishing characteristics of bulk letter mailers which, in your view, would **not** be deemed to be “functionally equivalent” to BAC, and therefore not eligible for a similar NSA.

- c. Please explain all distinguishing differences between (i) mailers that are “functionally equivalent” to BAC, and (ii) mailers that are “similarly situated” to BAC.

**VP/USPS-T1-17.**

Please refer to your testimony at page 15, lines 15-19, where you state that “[t]here is no reason to believe that any individual mailer’s read and accept rates vary significantly from the system-wide average, since read and accept rates are likely to depend primarily on the generation of barcoding protocol used by the mailer and the scanning equipment used by the Postal Service—factors that are unlikely to generate wide mailer-to-mailer variations.”

- a. Does not this statement mean that the accept rate is determined by Postal Service scanning equipment, and is not under the control of the mailer? Please explain fully any answer that is not an unconditional affirmative.
- b. Is the “generation of barcoding protocol” used by the mailer under the control of the mailer or the Postal Service?
- c. Please identify all “generations” of barcoding protocol that are in use today on Postal Service letter sorting equipment?
- d. When a change in barcoding protocol is done: (i) how is it managed; (ii) how fast is it changed; and (iii) is the change voluntary on the part of the mailer? Please provide examples of two consecutive generations of

barcoding protocol for letters, and indicate when they changed and what effect they had.

- e. Please list all differences in “scanning equipment” in use today on Postal Service letter sorting equipment, including when an altered scanning technology was implemented, what proportions of each kind of equipment are in use, and how much of an increase in accept rates each technology made.
- f. Please list any factors under Postal Service control, other than barcoding protocol and scanning equipment, that affects accept rates on the Postal Service letter sorting equipment.
- g. Please provide a list of things mailers can do to affect accept rates that are different from barcoding protocol and scanning equipment.
  - (i) If such things exist, why are they excluded from the above-quoted statement?
  - (ii) Do such things contribute to wide or even significant mailer-to-mailer variations?
- h. BAC witness Richard D. Jones, BAC-T-1, states at pages 10-11 that “BAC is offering to change its mail preparation and mailing practices in ways that will reduce the Postal Service’s cost of handling our mail” (BAC-T-1, p. 10, l. 24 to p. 11, l. 1).
  - (i) Does this conflict with your statement that accept rates are not under the control of mailers?

- (ii) Is it your belief that a large number of mailers are in a position to change mail preparation and mailing practices that would increase accept rates, but they will not do them because it costs them too much, or because they have no interest in Postal Service costs, or because they have no understanding of their options or of the effects of their decisions?

**VP/USPS-T1-18.**

The following is a hypothetical. Suppose the Postal Service advised a mailer: “We want to invite you to work with us on an experiment and an example to other bulk mailers. You agree to keep on doing exactly what you are doing, except that you put on whatever codes and other things that are needed so that we can keep track of the accept rates for your mail. Then we will measure your accept rates for four months. At the end of the four months, you agree to do the following list of things, plus anything else you wish to do. We then will keep track of your accept rates for the next 18 months, after which time we will give you a check for a portion of our savings for any increase in your accept rates, relative to the four-month base.”

- a. Please explain any weaknesses or other problems, including degrees of unfairness, that you see in this program.
- b. Are you aware of any reason why a large number of mailers would not be interested in participating in such a program? If so, please explain fully.

- c. Please explain any Postal Service capacity (or other limitations) that would limit the number of mailers that could participate in such a program?
- d. Do you see anything in particular in this program that would require negotiation with a specific mailer? If so, please indicate what negotiation would be required, and explain why it would be required.
- e. Please explain all reasons why you believe that the NSA you propose is better than this program.
- f. Please explain all reasons why you believe that the NSA you propose is worse than this program.

**VP/USPS-T1-19.**

Please regard the following as a hypothetical. Suppose the Postal Service advised mailers: “We have a category of rates that are for bulk/automation mailers. Mailers using these rates are expected to have read rates of that equal or exceed 96 percent (or some other figure, possibly to be adjusted over time). When you sign up to be a bulk/automation mailer, you agree to the following program. You put on a barcode that will enable us to keep track of your accept rates. At the end of each quarter, we will send you a bill for 60 percent of any costs that we must incur on account of accept rates for your mail that are below 96 percent.”

- a. Please explain any and all reasons why you believe, if you do, that this program would be unworkable or unfair.

- b. If the Postal Service made a technical change and all accept rates increased, would this cause difficulty with this program? Please explain.
- c. If mailers found that some Postal Service plants had higher accept rates than others, and proceeded to enter their mail at those plants, would this cause problems with this program?
- d. Please explain all reasons why you believe that the NSA you propose is better than this program.
- e. Please explain all reasons why you believe that the NSA you propose is worse than this program.
- f. Please explain all reasons why you believe mailers might not be able to respond to the incentives in this program.
- g. Please explain all reasons you can think of for restricting participation in this program to a limited number of mailers.
- h. Would you consider it reasonable for a mailer to say: “I have a particularly low accept rate, so I don’t want to be part of this program”? Please explain your response.
- i. Do you think any mailers with unusually high accept rates would view this program as unfair? Please explain your response.

**VP/USPS-T1-20.**

Please consider the up-coming National Postal Forum (“NPF”) to be held from March 25 (Sunday) through March 28 (Wednesday), 2007, in Washington, D.C.

- a. Do you agree that at NPF there will be an “Address Quality Symposium” on both Monday, 10:00 a.m. to 12:15 p.m. and Wednesday 2:00 p.m. to 4:30 p.m.?
- b. Please confirm that other scheduled sessions at the up-coming NPF include:
  - (i) “6 Sigma Addressing Practices I AQE02”;
  - (ii) “6 Sigma Addressing Practices II AQE03”;
  - (iii) “Implementing Intelligent Mail to Drive Business Results SS04”;
  - (iv) “Fundamentals of Quality Addressing AQE04”;
  - (v) “Intelligent mail and Seamless Acceptance IMSA08”;
  - (vi) “The ABC’s of File Hygiene AQE06”;
  - (vii) “Standardize the Foundation of Your Address Quality Processes AQE07”;
  - (viii) “Seamless Acceptance IMSA09”;
  - (ix) “Electronic Data Exchange in Postal Transactions PR104.”
- c. When available, please as a library reference the documents the documents at these symposia.
- d. Please compare the cost and benefit to the Postal Service of (a) conducting these general NPF sessions attended by hundreds of mailers with (b) litigating an NSA for one mailer, such as BAC.