

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

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: Docket No. R2005-1
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INTERROGATORIES OF ADVO INC. TO VAL-PAK
WITNESS JOHN HALDI (ADVO/VP-T2-1-8) (REVISED)

(July 26, 2005)

ADVO, Inc. (Advo) is hereby filing this revised set of interrogatories to Val-Pak witness John Haldi (VP-T-2) to reflect re-numbering of the last three interrogatories in the original set filed on July 22, 2005, and a substantive revision to renumbered ADVO/VP-T2-7.

Respectfully submitted,

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ADVO, INC. INTERROGATORIES TO VAL-PAK WITNESS JOHN HALDI

ADVO/VP-T2-1. On page 16, line 16 of your testimony, please provide the source for the figure of 9.515 billion saturation non-letters.

ADVO/VP-T2-2. On page 17 of your testimony, you recommend that your estimate of 5.4 billion detached address labels (DALs) be used to develop an adjustment for the handling of DALs. And, you also recommend that the total number of city and rural delivered DALs should be assumed to be 99% of 5.4 billion (i.e., 5.346 billion).

- (a) Please confirm that the base year carrier cost systems identify 5.144 billion CCCS saturation “letters plus DALs” (USPS LR K67, Sheet 3) and 1.651 billion RCCS saturation “letters plus DALs” (USPS LR K67, Sheet 8), for a total of 6.795 billion city and rural carrier delivered saturation “letters plus DALs.”
- (b) Please confirm that 6.795 billion “letters plus DALs” minus your estimate of 5.346 billion DALs would leave only 1.449 billion saturation letters delivered by city and rural carriers.
- (c) The RPW identifies 3.826 billion saturation letters. Please confirm that, if your DAL estimate were correct, it would mean that only 37.8% of RPW saturation letters are delivered by carriers on city and rural carrier routes.

If you cannot confirm any of the above, please explain why not, and provide the figures you believe to be correct, including your calculations and sources.

ADVO/VP-T2-3. On pages 17 and 18 (lines 15 through 6), you suggest that there may be IOCS errors with respect to accounting for DAL handlings. And, you state that “Two Postal Service witnesses have mentioned recording error as a distinct possibility for anomalous cost results (see fn. 23, *infra*).” With respect to those USPS responses, please confirm the following:

- (a) The POIR No. 1a response refers to the way in which certain IOCS tallies were used and does not mention or suggest any errors in the tallies themselves.
- (b) The responses to VP/USPS-T16-16 and –17 do not confirm any anomalous cost results and do not relate to any IOCS errors.
- (c) None of the responses identified in footnote 23 have anything to do with the number or cost of DALs.

If you cannot confirm any of the above, please explain why not, with specific reference to the statements made in the sources you have cited.

ADVO/VP-T2-4. On page 19 of your testimony, you note that IOCS casing costs for flats also include casing costs for DALs. You state “. . . since DALs are probably cased at a faster rate than ordinary flats, using the casing rate for flats alone underestimates the actual volume of pieces cased.” If the saturation flat in-office casing cost is comprised of a mix of high-productivity DAL casing cost and low-productivity flat casing cost, please confirm that dividing that total cost by the flat low-productivity figure will provide an overestimate of the actual number of flats cased and therefore an underestimate of the actual number of flats taken to the street. If you cannot confirm, please explain fully why you cannot.

ADVO/VP-T2-5. Please confirm the following or explain fully why you cannot:

- (a) The distribution key for city letter route delivery costs is the City Carrier Cost System (CCCS).
- (b) If the percentage of CCCS ECR saturation flats that are sequenced increases, then ECR saturation flats should be allocated a correspondingly larger portion of city letter route sequenced delivery cost.

- (c) If the percentage of CCCS ECR saturation flats that are sequenced increases, then the percentage of ECR saturation flats that are cased and delivered as non-sequenced mail decreases.
- (d) If the percentage of CCCS ECR saturation flats that are cased and delivered as non-sequenced mail decreases, then ECR saturation flats should be allocated a correspondingly smaller portion of city letter route non-sequenced flat delivery costs.
- (e) USPS LR K67 uses CCCS volumes to distribute city letter route delivery costs among the various categories of ECR volumes.

ADVO/VP-T2-6. On page 20 (lines 1 and 2) of your testimony, you state that . . . “it seems that some unknown volume of DALs are sorted on automation equipment.” And, you state (lines 12-13) that . . . “despite knowledge that interest in DPSing of DALs is increasing and the practice is growing. . . .” Separately, on page 21 (lines 14-15), you state that there is an . . . “unknown, but possibly large and growing, volume of DALs [being automated]. . . .” A review of the cites provided in footnote 18 show no support for the assertion that “the practice [of DPSing DALs] is growing.” Please provide any evidence you have, including sources, for the assertions that the number of DALs being automated is large and growing.

ADVO/VP-T2-7. On page 21 (lines 14-16), you state that “. . . certain costs incurred to process some unknown, but possibly large and growing, volume of DALs are being attributed to letters.” You provide no cites for the assertions that a large volume of DALs is being automated. At TR 7/2717, in response to a Val-Pak question, the USPS responded that a review of the FY04 IOCS data indicate that there were no Standard Mail “DAL” tallies in the MODS cost pool BCS/DBCS. Further, in response to a Val-Pak question about the extent of automation processing of DALs, USPS witness Lewis stated that “it’s got to be a pretty small number at this point” (TR 6/2433). Please provide any evidence you have, including sources, to support your speculation that there is a large volume of DALs being automated.

ADVO/VP-T2-8. In lines 11-16 and footnote 20 on page 21 of your testimony, you suggest that costs to automate DALs may be wrongly attributed to saturation letters. In footnote 19, you imply that IOCS mail processing tallies of DALs may not be correctly attributed to flats because the host flats may not be available for review. At TR 7/2717, in response to a Val-Pak question, the USPS responded that in the case where the host piece cannot be identified, the IOCS editing process classifies the DAL tallies as flat shape (see USPS LR-K-9, Appendix B, page 137). Please provide any other evidence you have, including sources, to support your speculation.