

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

EVOLUTIONARY NETWORK DEVELOPMENT)
SERVICE CHANGES)

Docket No. N2006-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
FIRST INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS PRANAB M. SHAH (VP/USPS-T1-1-5)
(March 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,

William J. Olson
John S. Miles
Jeremiah L. Morgan
WILLIAM J. OLSON, P.C.
8180 Greensboro Drive, Suite 1070
McLean, Virginia 22102-3860
(703) 356-5070

Counsel for:
Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

VP/USPS-T1-1.

Please refer to your testimony at page 9, lines 14-17, where you discuss optimization models used in the Evolutionary Network Development (“END”) modeling approach.

- a. Do the optimization models all use the same objective function? If not, how many different objective functions are used?
- b. Is service, service quality, or some variant thereof, ever used as an objective function? If not, please explain why not.

VP/USPS-T1-2.

Please refer to your testimony at page 9, lines 18-21, where you discuss simulation models used to conduct “what if” scenarios in the END modeling approach.

- a. Has the Postal Service conducted any simulations designed to study WHAT the transportation requirements would look like IF destination entry discounts were to be offered to bulk First-Class Mail?
- b. If any such simulation has been conducted, please explain whether such discounts would be expected to have a substantial impact on the postal transportation network. If no such simulation has been conducted, please explain why not.

VP/USPS-T1-3.

At page 11 of your testimony (ll. 10-12), you state that “[c]urrently, packages are often processed on separate networks based on their class (*i.e.*, Standard Mail in one location and

Priority Mail in another).” Does this statement mean that the Postal Service is contemplating joint processing of Standard Mail packages together with Priority Mail flats and packages? If not, please explain what it does mean.

VP/USPS-T1-4.

Please refer to your testimony at page 2, line 10, where you state that “over 450 facilities process ... mail each day....” Of the 450 facilities to which you refer, how many are P&DCs?

VP/USPS-T1-5.

Please refer to your response to APWU/USPS-T1-3(d), where you state that each optimization model includes “Cost — The mail processing costs associated with a given amount of workload, as well as the fixed costs of a given facility.” Also, please refer to library reference USPS-LR-N2006-1/7 (General Accountability Office Audit Report, GAO-05-261), Highlights page, chart titled “Total Pieces Handled per Person per Hour in Processing Plants for Fiscal Year 2004,” showing extremely wide variations both within plants of a similar size, as well as between plants of different sizes.

- a. Do any of your optimization models include the actual productivity and costs for individual facilities? Please explain what they include with respect to actual costs as indicated by the GAO data.
- b. If your optimization models do not contain actual costs and productivities for individual facilities, please explain (i) how you can hope to consolidate mail to

the more efficient facilities, and away from the less efficient facilities, and

(ii) what is being optimized under circumstances where you use “averages” that may be totally inapplicable to the facilities in question.