

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.
SECOND INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS ALI AYUB (VP/USPS-T1-21-27)
(April 4, 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-T1-21.

Please refer to VP/USPS-T1-2 and your response thereto.

- a. Please define the term “related procedures” as you use it in your testimony at page 4, lines 1-3.
- b. Would you consider the mail reclassification effort preceding Docket No. MC95-1, and the subsequent product redesign effort, including the various working groups and committees thereof, to fall under the rubric of “related procedures” in the sense of being related to pricing, classification, and ratemaking? Unless your response is an unqualified affirmative, please explain how you would classify such efforts.
- c. To the best of your knowledge, did mailers exchange any ideas, possibly innovative ones, with the Postal Service in meetings of working groups concerned with the reclassification and product redesign efforts?
- d. Would it be correct to interpret your statement responding to the above-referenced interrogatory to mean that neither customers (*i.e.*, mailers) nor their representatives have any kind of informal (or formal) interaction with Postal Service personnel responsible for cost studies, pricing, and classifications when no proceeding is pending before the Commission? If that is not a correct interpretation, please explain fully what you intend by that statement.

VP/USPS-T1-22.

Please refer to your response to VP/USPS-T1-3(a), 3(b), and 3(e).

- a. With how many mailers is the Postal Service currently pilot testing Seamless Acceptance mentioned in your response to parts a and b?
- b. Is BAC included among the mailers that are participating in the pilot testing of Seamless Acceptance?
- c. In your response to part e, you state, “[t]he Postal Service does not expect to offer any inducements to bulk mailers to adopt and use Seamless Acceptance.”
 - (i) Please explain why, in the absence of this NSA, BAC would not be expected to use Seamless Acceptance, along with other large bulk mailers?
 - (ii) Does BAC present any special, or extraordinary, circumstances that require — or warrant — a NSA to induce BAC to adopt Seamless Acceptance once it is deployed?
- d. In the event that deployment of Seamless Acceptance should be delayed until after this NSA has expired (assuming approval), would BAC still be required to adopt Seamless Acceptance?

VP/USPS-T1-23.

Please refer to your response to VP/USPS-T1-4(a).

- a. How, or in what ways, would Seamless Acceptance promote higher quality levels in mail processing of First-Class letters? Please be as specific as possible, indicating those steps in mail processing (after acceptance), where the Postal Service either expects or hopes for quality improvements resulting from widespread adoption of Seamless Acceptance.
- b. How, or in what ways, would Seamless Acceptance promote higher quality levels in the delivery of First-Class letters? Please be as specific as possible, indicating those steps in delivery (after mail processing) where the Postal Service either expects or hopes for quality improvements resulting from widespread adoption of Seamless Acceptance.

VP/USPS-T1-24.

Please refer to your response to VP/USPS-T1-5.

- a. In your response to part g, you indicate that “processing ACH payments costs the Postal Service less than processing checks and credit cards.” Please compare the net cost to the Postal Service of (i) accepting and processing metered bulk mail with (ii) processing Automated Clearing House (“ACH”) payments, and indicate whether the Postal Service

perceives any material difference in its costs with respect to these two alternative payment methods.

- b. In your response to part d, you indicate that one of “the principal means BAC currently used to pay for its bulk mailing transactions include[s] meters....” And in your response to part e, you indicate that “postage is paid through methods other than electronic payment for approximately 75% of the First-Class Mail entered directly by BAC and less than five percent of the Standard Mail entered directly by BAC.” Is one purpose of requiring BAC to use the Centralized Automated Payment System (“CAPS”) for all transactions relating to bulk mail entered under the NSA to eliminate the use of metering for postage payment on bulk mail?
- (i) If this is the purpose, please explain why the Postal Service desires such a result.
- (ii) If this is not the purpose, please indicate whether it nevertheless will be a consequence of the agreement in this NSA, and indicate whether such consequence is intended or unintended.
- c. If some of BAC’s third-party vendors currently use meters to pay postage for some of BAC’s bulk mail which they enter directly with the Postal Service, under terms of the NSA will they be required to cease using meters and instead use CAPS to pay for all transactions which they make on behalf of BAC? If this is the case, please explain why this is a desired result from the perspective of the Postal Service.

VP/USPS-T1-25.

Please refer to your response to VP/USPS-T1-7.

- a. With how many mailers is the Postal Service currently pilot testing eDropShip?
- b. Is BAC included among the mailers that are participating in the pilot testing of eDropShip?

VP/USPS-T1-26.

Please refer to your response to VP/USPS-T1-8.

- a. In your response to part a, you indicate that the data for the 96.8 percent benchmark accept rate in the NSA were collected in 1999. Please indicate the type and amount of equipment (*i.e.*, number of pieces) related to letter sorting that the Postal Service has deployed since the 1999 data collection for the current benchmark. In your response, and in addition to sorting machines themselves, please include equipment for MERLIN and any and all upgrades to barcode readers or optical character readers for existing letter sorting equipment.
- b. For the equipment provided in response to preceding part a, please indicate the approximate capital investment (in millions of dollars) by the Postal Service.
- c. To what extent, if any, can deployment of MERLIN be said to have improved the read/accept rates for bulk mail?

- d. Please compare the capability of the most-recently deployed letter sorting machines for reading and accepting both barcodes and printed addresses with the fleet of letter sorting machines that were deployed in 1999. In particular, please indicate when the latest letter sorting machines were deployed and whether the most-recently deployed machines have any enhanced capabilities for reading and accepting letter mail.
- e. Does the Postal Service have any plans to update its data on the accept rate for letter mail? Please explain.

VP/USPS-T1-27.

In your testimony, you indicate that no mailer-specific data were available to the Postal Service to determine the accept rate of BAC's mail, and that accept rate data from USPS-LR-L-110 in Docket No. R2006-1 were considered to constitute the best available benchmark for measuring improvement by BAC under the proposed NSA (p. 16, ll. 15-19). Your testimony also indicates that use of the Four-State barcode, along with certain other mailer steps, will enable the Postal Service in the future to track the accept rate of BAC's letter-shaped mail (p. 5, ll. 12-16).

- a. Will use of the Four-State barcode enable the Postal Service to develop mailer-specific accept rates for other mailers?
- b. As a hypothetical, please assume that (i) the national benchmark (or average) accept rate continues to be 96.8 percent, and (ii) another mailer (X, say) applies for a functionally equivalent NSA, and, because X is

putting Four-State barcodes on its mail, X is known to have an accept rate that is 2.0 percentage points less than the benchmark, or national average. In any NSA with X that is alleged to be functionally equivalent, would the most appropriate benchmark for measuring improvement in accept rates and giving rebates (or discounts) as a result thereof be (i) the national average (96.8%), or (ii) the mailer's own accept rate ($96.8\% - 2.0\% = 94.8\%$)? That is, should mailer X be given some kind of reward for bringing its accept rate up to the national average, or should rewards to mailer X begin only after mailer X reaches the national average?

- c. As a second hypothetical, please assume that (i) the national benchmark (or average) accept rate continues to be 96.8 percent, and (ii) another mailer (Y, say) applies for a functionally equivalent NSA and, because Y is putting Four-State barcodes on its mail, Y is known to have an accept rate that is 2.0 percentage points higher than the benchmark, or national average. In any NSA with Y that is alleged to be functionally equivalent, would the most appropriate benchmark for measuring improvement in accept rates and giving rebates (or discounts) as a result thereof be (i) the national average (96.8%), or (ii) the mailer's own accept rate ($96.8\% + 2.0\% = 98.8\%$)? That is, should mailer Y be given some kind of reward in recognition that its accept rate is already higher than the national average, or should rewards to mailer Y begin only after mailer Y improves on its own (already high) accept rate?