

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

Modification of Analytic Principles in Periodic Reporting (Proposals Three Through Nineteen) ) Docket No. RM2009-10  
)

VALPAK DIRECT MARKETING SYSTEMS, INC. AND  
VALPAK DEALERS' ASSOCIATION, INC.  
INITIAL COMMENTS ON ANALYTIC PRINCIPLES USED IN  
PERIODIC REPORTING (PROPOSALS THREE THROUGH NINETEEN)  
(August 20, 2009)

On July 28, 2009, the Postal Service filed its "Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytic Principles (Proposals Three - Nineteen)" ("USPS Petition"), and on July 31, the Commission granted that petition and set August 20, 2009 as the deadline for submission of initial comments. *See* Order No. 269.

Valpak Direct Marketing Systems, Inc., and Valpak Dealers' Association, Inc. ("Valpak") submit these joint comments in response to the request for comments in Order No. 269. Valpak comments only on Proposal Five, at this time.

In Docket No. ACR2008, the Postal Service presented data on the number of detached address labels ("DALs") recorded in the RPW (Revenue, Pieces and Weights) system. Valpak noted an apparent discrepancy between this RPW figure and the counts generated by the city and rural carrier costing systems in the volume of DALs reported. *See* Docket No. ACR2008, Valpak Motion for Issuance of Commission Information Request Concerning Core Costing Data on Detached Address Labels (Jan. 13, 2009), p. 4; Valpak Suggested Questions for Discussion at the Technical Conference of January 26, 2009, or in the Alternative, Motion for

Commission Information Request (Jan. 21, 2009), p. 2; and Valpak Initial Comments on the United States Postal Service FY 2008 Annual Compliance Report (Jan. 30, 2009), pp. 31-36. Subsequently, the Commission identified correction of DAL volume measurement as needing improvement by the Postal Service before the FY 2009 ACR. *See* FY 2008 Annual Compliance Determination, pp. 59, 64 (“*The Commission finds that no action is need at this time, but the Postal Service should look to improve the accuracy of DAL costing and volume measurement in the future*” (italics original)).

Proposal Five addresses the discrepancy which Valpak identified in Docket No. ACR2008 by (i) counting the volume of DALs accompanying Carrier Route and High Density flats and then (ii) applying to those volumes the same DAL adjustment that was previously applied to Saturation letters and flats only. With this adjustment, the Postal Service believes that its carrier costing systems will account for approximately 94 percent of the volume of DALs (up from 67 percent in the FY 2008 ACR). *See* USPS Petition, Proposal Five, p. 2.

Valpak believes that this change, which should help account for most of the volume of DALs recorded in the RPW, represents a significant improvement over the procedure used in the last ACR, and absent the identification of a better approach, that the Commission should approve it.

Finally, Valpak notes that since one effect of Proposal Five would be to shift costs from High Density letters to High Density flats, this proposal also would appear to exacerbate the anomalous cost difference between Saturation letters and High Density letters. John Haldi, Ph.D., on behalf of Valpak, previously addressed this anomalous cost relationship in his

Statement Concerning Workshare Discounts in Docket No. RM2009-3.<sup>1</sup> It is submitted that the Postal Service needs to address this new data problem, at some point.

Respectfully submitted,

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<sup>1</sup> Dr. Haldi stated: "The anomalous costing results for Saturation and High Density letters deserve mention. In the ACR for both FY 2008 and FY 2007, the cost of Saturation letters was found to be higher than the cost of High Density letters, which on its face appears anomalous to both the Postal Service and the Commission (and to Valpak). Previously, in every case from Docket No. MC95-1 through Docket No. R2006-1, Saturation letters has had a consistently lower cost than High Density letters. This consistency would indicate that the most recent cost results are indeed anomalous." Haldi Statement, p. 17.