

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC.
AND VALPAK DEALERS' ASSOCIATION, INC., REDIRECTED FROM
WITNESS TALMO (VP/USPS-T27-1)
(July 12, 2006)

The United States Postal Service hereby provides its institutional response to interrogatory VP/USPS-T27-1, which has been redirected from Postal Service witness Talmo (USPS-T-27).

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF VALPAK, REDIRECTED FROM WITNESS TALMO

VP/USPS-T27-1. Please refer to LR-L-107.xls in USPS-LR-L-107 in the instant docket and LR-K-107.xls in USPS-LR-K-107 in Docket No. R2005-1, tab 'Table 1' in both references.

- (a) Please identify all factors accounting for the result that the dropship-adjusted unit mail processing cost, PRC version, of Auto Basic letters in ECR was 44.4 percent of the corresponding cost for Basic letters (non-Auto) in Docket No. R2005-1, but is 116.3 percent of the corresponding cost for Basic letters (non-Auto) in the instant docket.
- (b) Please state whether you believe it is reasonable to expect that subject costs for Auto Basic letters would be higher than the corresponding costs for Basic letters (non-Auto), and discuss why.

RESPONSE:

(a) Please see the response of witness Bozzo (USPS-T-46) to MMA/USPS-T22-2(d).

(b) The unit costs presented in USPS-LR-L-107 are limited to mail processing costs. The relevant comparison between automation and nonautomation ECR costs would be the sum of mail processing and delivery costs. The DPS percentage for basic letters may be sufficiently low to cause their mail processing unit costs to be lower than that of automation letters.