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

RATE AND SERVICE CHANGES TO IMPLEMENT BASELINE NEGOTIATED SERVICE AGREEMENT WITH WASHINGTON MUTUAL BANK	)))	Docket No. MC2006-3

VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
THIRD INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS ALI AYUB (VP/USPS-T1-20-25)
(June 26, 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,

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VP/USPS-T1-20.

Please refer to your response to VP/USPS-T1-2(c). In your response, you refer to the "Postal Service's policy position on NSAs…."

a. If you have a hard copy statement of the Postal Service's policy position on NSAs, please provide a copy.

b. If no such hard copy exists, please state and explain the Postal Service's policy position on NSAs. In your response, please explain the policy position with respect to increased volume and increased contribution, as well as any other pertinent factors.

c. Please assume that an NSA presents the Postal Service with a trade-off in the form of achieving more of one desirable objective and less of another desirable objective, as does the Washington Mutual Bank NSA. What criteria has the Postal Service established, or what criteria does it use, to determine that exceptions to the Postal Service's policy position on NSAs are acceptable, or desirable?

VP/USPS-T1-21.

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

a. In your response to 4(d), you state that "similarly situated customers are able to avail themselves of functionally equivalent agreements if they choose to…." In your response to 4(b), you state that "high transaction costs associated with bringing NSA cases to the Commission serve as a barrier to prevent widespread

usage among mailers for NSAs." Please explain how you can concurrently maintain (i) the existence of high barriers to entry and (ii) ready availability of functionally equivalent NSAs to other mailers.

b. In your response to 4(c), you note that "the contract with WMB (as with all of the other NSAs) prohibits WMB from using its incentives to mail on behalf of other customers."

   i. Is this provision intended to prevent arbitrage, in the form of preventing mail in a high-cost part of the market from transferring to and taking advantage of a lower-cost market? If not, please explain the necessity for this provision, especially as it pertains to discrimination against other mailers who might want to take advantage of the special discount extended to those who are floored to receive NSAs.

   ii. Would such a provision be necessary if the Postal Service, in lieu of NSAs, established niche classifications open to all qualified mailers?

c. In your response to 4(e), you "point out that for the most part, prices in all other subclasses are uniform with respect to quantity." Do you consider prices that are uniform with respect to quantity an undesirable feature of most Postal Service offerings? If so, please explain why you consider uniform prices to be undesirable.

VP/USPS-T1-22.

Please refer to your response to VP/USPS-T1-5(b), where you indicate that "a customer may be willing to pay a premium over existing Standard Mail rates that would have the same effect." Please explain, both in general and with specific examples, what the Postal Service could offer users of Standard Mail that would induce them to pay a premium over existing Standard Mail rates.

VP/USPS-T1-23.

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

a. Please explain whether, in your opinion, it would be reasonable to consider, or think of, the First-Class Mail ("FCM") product as a "brand" of the Postal Service.

b. Would you agree that the value of the FCM brand would be enhanced by the fact that FCM is regarded by most mail recipients as containing items that are of personal interest to them (*e.g.*, correspondence), or that concern them personally (*e.g.*, bank statements, or statements of account).

c. Would you agree that most mail recipients generally have lower regard for unsolicited mail then they do for FCM? Please discuss what the Postal Service knows in this regard.

d. If you succeed in using rate incentives to induce a large volume of Standard Mail advertising to switch to FCM, could the Postal Service run the risk of

eroding the esteem for, and cheapening, its FCM brand? If not, please explain why not.

VP/USPS-T1-24.

Please refer to your response to VP/USPS-T1-11.

a. In your response to 11(c), you say that you agree with the Postmaster General's goal of reducing the volume of UAA mail. At the same time, you indicate a belief that you consider it important for the Postal Service to grow revenue, even if the means to such revenue growth is encouraging a significant increase in the volume of First-Class UAA mail. Please explain which of these two goals you think is more important.

b. In your response to 11(d), you say that you "reduce[d] the amount of UAA mail" and that "the additional address hygiene requests of the NSA aid in lowering the UAA rate."

   i. Please explain the benchmark from which you reduced the amount of UAA mail. Did you reduce it below the average for all FCM? If not, then below what level?

   ii. Please explain the benchmark for "lowering the UAA rate…." Did you lower the UAA rate of Washington Mutual Bank's solicitation mail below the rate for all FCM? If not, then below what level?

VP/USPS-T1-25.

Please refer to your response to VP/USPS-T1-19. In your response to 19(f), you note that Washington Mutual Bank's total marketing volume exceeds 500 million pieces, and "with only 144 million delivery points in FY 05, there is a high probability that WMB mailed multiple times to the same delivery point."

a. What is the probability that Washington Mutual Bank reuses and mails to the same third-party list more than one time within a six– to twelve–month period?

b. If Washington Mutual Bank receives an address correction for someone on rented list A, and that same person also happens to appear on rented lists B and C (and at the same address as on list A), and Washington Mutual Bank subsequently decides to mail to lists B and C, what is the probability that Washington Mutual Bank will use the address correction(s) applicable to list A to correct lists B and C?