

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

POSTAL RATE AND FEE CHANGES, 2006)

Docket No. R2006-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
SECOND INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS ELIANE VAN-TY-SMITH (VP/USPS-T11-6-8)
(July 10, 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-T11-6.

Please refer to the response to VP/USPS-T11-4(a).

- a. Please explain how volume variable costs of the DPS cost pool are distributed to the different classes and subclasses of mail with letter-shaped volume that is DPS'd.
- b. Please (i) indicate what mail volume data are available for the DPS cost pool, and explain the source of such data — *e.g.*, IOCS tallies, machine counts, etc.; and (ii) explain the extent to which subclasses and rate categories of mail can be ascertained from such data.

VP/USPS-T11-7.

The USPS Data Quality Study, Technical Report #1, Economic Analysis of Data Quality Issues, page 65, stated that one major conclusion from the mail processing assessment was :

A valid and defensible distribution key based on the appropriate cost driver for each mail processing operational activity pool should also be determined. To accomplish this IOCS needs to be replaced in the long- run. Until a replacement system can be designed and implemented, the IOCS should be modified to obtain sufficient useful tallies to provide a reasonable proxy for the distribution of these operational activity to products.

- a. Please explain what the Postal Service has done to date to develop a valid and defensible distribution key for the DPS cost pool.

- b. Please explain what studies, plans, or other actions the Postal Service intends to undertake to develop a valid and defensible distribution key for the DPS cost pool.
- c. Please explain where the Postal Service stands with regard to development of a replacement for the IOCS in capital intensive operations.

VP/USPS-T11-8.

The USPS Data Quality Study, Technical Report #1, page 32, showed the following breakdown of IOCS tallies.

	<u>1969</u>	<u>1986</u>	<u>1996</u>	<u>2005</u>
Specific Mail				
Product Identified	77%	63%	45%	
Mixture or Group of				
Mail Identified	17%	8%	6%	
No Mail Identified	6%	29%	49%	

Please complete the above table with IOCS tallies for FY 2005, on a comparable basis to prior years.