

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

COMPLAINT OF CAPITAL ONE SERVICES, INC.

Docket No. C2008-3

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC.
AND VALPAK DEALERS' ASSOCIATION, INC.
(VP/USPS-1)
(March 20, 2009)**

The United States Postal Service hereby provides its response to the following interrogatory of Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. ("Valpak"), filed on September 16, 2008: VP/USPS-1.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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VP/USPS-1. Please refer to the response to COS/USPS-3, which states: “No discount has been paid to date because the [Postal Service and Bank of America] are discussing the calculation of the discount. The Postal Service has not accrued or accounted for any discounts [to Bank of America].” Also refer to the response to PR/USPS-5.

- a. Please advise when it is expected that the discussions will be completed and a response to COS/USPS-3 is expected to be filed.
- b. Please identify the date and amount of any payments made to Bank of America, or agreed to be made under this NSA.
- c. If, by the end of FY 2008, September 30, 2008, the discussions are still continuing and the Postal Service has neither “paid” any discount nor “accrued” any discounts to Bank of America, please advise how the Postal Service will treat in its financial reports any liability for an amount payable.
- d. Please indicate whether discounts (or rebates) paid (or determined to be payable) to Bank of America are based on
 - a measurable improvement in **actual** mail processing performance—i.e., the read and accept rate of mail processing, and the percentage of UAA mail that must be returned, forwarded, or destroyed... [USPS Response to PR/USPS-5 (emphasis added).]
 - as measured against (i) benchmarks based on or derived from Bank of America’s own specific mail processing performance, or (ii) systemwide benchmarks (with the result that any discounts need not reflect any improvement whatsoever by the Bank of America in its **actual** mail processing performance).
- e. If the answer to part d(ii) is that discounts are based on systemwide benchmarks, please define the word “actual” as used in the quoted response to PR/USPS-5.

RESPONSE:

- a. Discussions were completed in September, 2008. A supplemental response to COS/USPS-3 is being filed concurrently to this response.
- b. For payments made under schedules 630A and D, please see the response to PR/USPS-12.

For payments made under schedule 630B, the number of forwarded First-Class Mail pieces from each schedule was determined using ACS records for

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the quarter. This number was divided by the total number of pieces sent in each schedule in the quarter to determine the forwarding rate. This forwarding rate was subtracted from the baseline rate, and the result was divided by the baseline rate to determine the incremental improvement, which in turn determined the per piece rebate to be paid.

For payments made under schedule 630C, the number of return notices for First-Class Mail pieces was determined using ACS records for the quarter. This number was divided by the total number of pieces sent in the quarter to determine the return rate. This return rate was subtracted from the baseline rate, and the result was divided by the baseline rate to determine the incremental improvement, which in turn determined the per piece rebate to be paid.

For payments made under schedule 630E, the number of undeliverable-as-addressed Standard Mail pieces was determined using ACS records for the quarter. This number was divided by the total number of pieces sent in the quarter to determine the UAA rate. This UAA rate was subtracted from the baseline rate, and the result was divided by the baseline rate to determine the incremental improvement, which in turn determined the per piece rebate to be paid.

c. Not applicable.

d. Rebates are calculated based on the thresholds included in the Bank of America NSA, section IV. These thresholds were based on the Postal

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Service's best estimate of baseline performance at the time that the Bank of America NSA was negotiated.

- e. In this context, "actual" means improvement compared to the baselines in the NSA.