

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Rate and Service Changes to Implement)
Functionally Equivalent Negotiated Service) Docket No. MC2004-4
Agreement with Discover Financial)
Services, Inc.)

OFFICE OF THE CONSUMER ADVOCATE
FOLLOW-UP INTERROGATORY TO UNITED STATES POSTAL SERVICE
WITNESS ALI AYUB (OCA/USPS-T1-43)
August 16, 2004

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits an interrogatory and request for production of documents. Instructions included with OCA interrogatories OCA/DSF-T1-1-5, dated June 25, 2004, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T1-43. Please refer to your response to OCA/USPS-T1-30(d), and the response of witness Plunkett to POIR No. 2, Question 5, in Docket No. MC2002-2, which states

Once discounts intended to influence mailer behavior are established, it is not possible to “observe” what mailer behavior would have been without such discounts.

a. Your response to part (d) states:

The relevant risks arise, not from the possibility that Before Rates volumes will be higher or lower than projected, or that After Rates volumes will be higher or lower than projected, but from the possibilities that the *differential* between After Rates and Before Rates volumes will be smaller than projected. (Emphasis original)

Please confirm that it is not possible to know the effect of exogenous variables on a mailer’s BR volumes and, consequently, the differential between BR and AR volumes, after price discounts are offered. If you do not confirm, please explain.

b. Your response to part (d) also states:

If Before Rates volumes are higher than projected, it is probable that the exposure (or “discount leakage”) was underestimated. However, by that same token the projected ACS cost savings will also have been underestimated.

Please confirm that to the extent Before Rates volumes are higher than projected, the discount leakage cannot be eliminated. If you do not confirm, please explain.

c. Please confirm that to the extent Before Rates volumes are materially higher in Year 3, the discount leakage at a \$0.045 discount will be \$0.027 [\$0.045 - \$0.018]. If you do not confirm, please explain.