

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

Rate and Service Changes to Implement)
Baseline Negotiated Service Agreement)
with Bookspan)

Docket No. MC2005-3

OFFICE OF CONSUMER ADVOCATE INTERROGATORIES
TO UNITED STATES POSTAL SERVICE
WITNESS MICHAEL K. PLUNKETT
(OCA/USPS-T1-14-16)
(August 22, 2005)

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-T2-1-5 dated July 27, 2005, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T1-14. Please refer to the August 19, 2005, DMNews, on the website www.dmnews.com/cgi-bin/index.cgi, and the article entitled "USPS Ramps Up for More NSAs." The article states "Plunkett said several things that began as NSA discussions mutated into classification changes." Please identify and describe the classification changes that began as NSA discussions.

OCA/USPS-T1-15. Please refer to the PostCom website at www.postcom.org/public/general/presentations.html, referencing the August 17-18, 2005 MTAC Presentations, at the seventh bulleted item, "Negotiated Service Agreements (NSAs)."

- a. At page 2 of the presentation, it states "Business results exceeding expectations." Please identify and summarize the business results exceeding expectations. How do you know these results would not otherwise have occurred?
- b. At page 5 of the presentation, in reference to the Postal Service's customers, it states "Concerns still exist." Please discuss the customer concerns that still exist.
- c. At page 7 of the presentation, it states "Declining block rate on SM with a multiplier effect, and superior address quality." Please cite the specific sections of the NSA and the proposed DMCS requiring superior address quality on the part of Bookspan.

OCA/USPS-T1-16. Please refer to your response to POIR No. 1, Question 1(c), where it states “However, witness Yorgey’s analysis of the book industry as described in her testimony does not indicate that any particular portion of Bookspan’s mail is likely to exhibit demand characteristics that differ fundamentally from those of the subclass to which it belongs.” Also, please refer to the testimony of Witness Thress (USPS-T-7) in Docket No. R2005-1, at page 99, Table 17, Econometric Demand Equitation for Standard Regular Mail.

- a. In your view, is any particular portion of Bookspan’s mail likely to exhibit demand characteristics that differ fundamentally from those of the subclass to which it belongs? Please explain.
- b. If Bookspan’s mail is not likely to exhibit demand characteristics that differ fundamentally from those of the subclass to which it belongs, please explain why the Postal Service did not propose a general classification featuring discounts for the subclass.
- c. Please confirm that Bookspan’s TYAR elasticity of demand for its Standard Regular Mail letter-size pieces is $-2.767 \left(\frac{(105 \text{ million} - 78 \text{ million})}{(78 \text{ million} + 105 \text{ million}) / 2} \right) / \left(\frac{(\$0.178 - \$0.198)}{(\$0.198 + \$0.178) / 2} \right)$. (See Attachment OCA-1, below, for the calculation of Bookspan’s Average Revenue per Piece of \$0.198 in the TYBR and \$0.178 in the TYAR.) If you do not confirm, please explain and provide your estimate of Bookspan’s elasticity over the range of prices from \$0.178 to \$0.198.

- d. In Docket No. R2005-1, please confirm that the postage price elasticity of demand for Standard Regular Mail is -0.267. If you do not confirm, please explain.

ATTACHMENT OCA-1

Base Year 2004

Standard Mail Regular LETTER-SIZE Revenue per piece

Mail Category	Bookspan average (FY 2004)			Revenue	
	Rev/pc	Volume	Revenue		
Nonauto Basic	\$ 0.262	1,518,805	\$ 398,179		1.7%
Nonauto 3/5-Digit	\$ 0.236	58,859	\$ 13,882		0.1%
Auto Mixed AADC	\$ 0.216	7,078,780	\$ 1,529,430		8.1%
Auto AADC	\$ 0.205	12,572,357	\$ 2,575,943		14.4%
Auto 3-digit	\$ 0.183	60,973,641	\$ 11,138,540		70.1%
Auto 5-digit	\$ 0.167	4,830,798	\$ 805,554		5.6%
Total		87,033,240	\$ 16,461,528		100%
Revenue per piece			\$ 0.189		

Standard Mail ECR LETTER-SIZE Revenue per piece

Mail Category	Rev/pc	Volume	Revenue	
Nonauto Basic Letters	\$ 0.171	5,575,871	\$ 952,919.00	79.9%
Auto Basic Letters	\$ 0.148	1,405,645	\$ 208,620.00	20.1%
Total		6,981,516	\$ 1,161,539	100%
Revenue per piece			\$ 0.166	
Average Revenue Letter-Size piece (FY 2004)			\$ 0.187	

Source: USPS-T-2 (Yorgey), Appendix A, Page 3.

Assumed R2005-1 Rate Increase **5.4%**

TYBR 2006

Standard Mail Regular LETTER-SIZE Revenue per piece

Mail Category	Bookspan average (TYBR 2006)		
	Rev/pc	Volume	Revenue
Nonauto Basic	\$ 0.276	1,260,087	\$ 348,191
Nonauto 3/5-Digit	\$ 0.249	48,833	\$ 12,139
Auto Mixed AADC	\$ 0.228	5,872,959	\$ 1,337,423
Auto AADC	\$ 0.216	10,430,744	\$ 2,252,555
Auto 3-digit	\$ 0.193	50,587,208	\$ 9,740,191
Auto 5-digit	\$ 0.176	4,007,905	\$ 704,424
Total		72,207,736	\$ 14,394,923
Revenue per piece			\$ 0.199

Standard Mail ECR LETTER-SIZE Revenue per piece

Mail Category	Rev/pc	Volume	Revenue
Nonauto Basic Letters	\$ 0.180	4,626,060	\$ 833,288
Auto Basic Letters	\$ 0.156	1,166,203	\$ 182,430
Total		5,792,264	\$ 1,015,718
Revenue per piece			\$ 0.175

Average Revenue Letter-Size piece (TYBR 2006) **\$ 0.198**

	Volume FY 2006
Before Rates (BR)	
New Membership Std letter-size	78,000,000
New Membership Std Flat-size	137,000,000
Total	215,000,000
After Rates (AR)	
New Membership Std letter-size	105,000,000
New Membership Std Flat-size	120,000,000
Total	225,000,000

Source: USPS-T-2 (Yorgey), Appendix A, Page 2.

Assumed TYAR Discount **\$ 0.02**

TYAR 2006

Standard Mail Regular LETTER-SIZE Revenue per piece

Bookspan average (TYAR 2006)			
Mail Category	Rev/pc	Volume	Revenue
Nonauto Basic	\$ 0.276	1,696,271	\$ 468,719
Nonauto 3/5-Digit	\$ 0.249	65,736	\$ 16,341
Auto Mixed AADC	\$ 0.228	7,905,907	\$ 1,800,377
Auto AADC	\$ 0.216	14,041,386	\$ 3,032,286
Auto 3-digit	\$ 0.193	68,098,164	\$ 13,111,795
Auto 5-digit	\$ 0.176	5,395,257	\$ 948,262
Total		97,202,722	\$ 19,377,780
Revenue per piece			\$ 0.199

Standard Mail ECR LETTER-SIZE Revenue per piece

Mail Category	Rev/pc	Volume	Revenue
Nonauto Basic Letters	\$ 0.180	6,227,389	\$ 1,121,734
Auto Basic Letters	\$ 0.156	1,569,889	\$ 245,578
Total		7,797,278	\$ 1,367,312
Revenue per piece			\$ 0.175

Average Revenue Letter-Size piece, Less Discount (TYAR 2006) **\$ 0.178**

Elasticity of Bookspan, TYAR **-2.767**

TYBR Letter-Size Volume 78,000,000

TYAR Letter-Size Volume 105,000,000

TYBR Average Revenue per piece \$ 0.198

TYAR Average Revenue per piece \$ 0.178