

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

**RESPONSES OF POSTAL SERVICE WITNESS PLUNKETT
TO INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T1-1-5)**

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of the Newspaper Association of America, filed on August 11, 2005: NAA/USPS-T1-1-5.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
TO INTERROGATORY OF THE NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T1-1: Please confirm that the declining block volume discount rate structure in this NSA applies only to letter-shaped pieces, and not flats. If you cannot confirm, please explain why not. If you confirm, please explain why the declining block volume discounts are available only for letters and not flats.

NAA/USPS-T1-1 Response

Confirmed. The incentives in the Bookspan NSA are intended to increase contribution by virtue of volume increases. Arguably, although a similar approach could have been taken with Bookspan's flat mail, that mail has different cost characteristics, and would probably require different incentives and a different declining block structure. For these reasons, the agreement applies to letters only.

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NAA/USPS-T1-2. Please refer to your response to OCA/USPS-T2-6 (redirected from witness Yorgey), where you state that the “multiplier effect” is a “defining characteristic of the Bookspan NSA.” If there were no multiplier effect, would you have recommended that the Postal Service sign the NSA?

NAA/USPS-T1-2 Response

The multiplier effect is a key condition of the agreement. As such, negotiations proceeded with that as part of the foundation of the business relationship between Bookspan and the Postal Service. It is impossible to speculate what the result, if any, of negotiations would have been with Bookspan if that key condition did not exist, *i.e.*, if the business relationship between the Postal Service and Bookspan were different. Therefore, it is impossible for me to say if I would recommend that the Postal Service sign a hypothetical, different NSA, because I do not know if it would even exist or what its terms would be. If you are asking if I would recommend the NSA exactly as signed with the exception that I.C. were deleted from the agreement (assuming there were no multiplier effect in reality), and the agreement merely provided discounts for Standard Mail solicitation letters that produced no additional mail volume other than an incremental increase in Standard Mail solicitation letters, I would say no.

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NAA/USPS-T1-3. Please refer to your response to OCA/USPS-T2-6 (redirected from witness Yorgey). What criteria will the Postal Service apply in determining whether a sufficient “multiplier” effect exists for purposes of assessing a mailer’s eligibility for a functionally-equivalent NSA?

NAA/USPS-T1-3 Response

Please see my response to OCA/USPS-T1-7.

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NAA/USPS-T1-4. Would a mailer seeking an NSA that is “functionally equivalent” to the Bookspan NSA necessarily have to expect that the NSA would generate other mail that would be entered at Bound Printed Matter and First Class Mail rates?

NAA/USPS-T1-4 Response.

No, the multiplier effect could be reflected in other subclasses.

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NAA/USPS/T1-5. Please refer to page 4 of your testimony, in which you present your views as to the usefulness of declining block volume discounts in Standard Mail. You state that “one could argue that virtually all Standard Mail is sent for discretionary purposes; thus, the prudent extension of declining block rates into Standard Mail will enable greater use of this technique, and create opportunities for further increases in contribution.”

- a. Is it your position that “virtually all Standard Mail is sent for discretionary purposes”?
- b. What considerations do you apply in deciding whether a proposed extension of declining block rates into Standard Mail would be “prudent”?

NAA/USPS/T1-5 Response

- a. Yes.
- b. I would expect any such extension to result in an NSA that conforms to the pricing criteria of the Act, to make a contribution to the Postal Service’s institutional costs, and to otherwise satisfy NSA specific rules as promulgated by the PRC.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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