



February 9, 2007

Hon. Steven W. Williams, Secretary
Postal Regulatory Commission
901 New York Avenue, NW, Suite 200
Washington, D.C. 20268-0001

RE: Docket No. MC2005-3

Dear Mr Williams:

In accordance with the Commission's Opinion and Recommended Decision on Rate and Service Changes to Implement Baseline Negotiated Service Agreement with Bookspan, Docket No. MC2005-3, the Postal Service's first six-month report on items 7 and 8, covering the period June 1, 2006 – November 30, 2006, is attached. The Postal Service regrets the slight delay in meeting the 120 day deadline.

Sincerely,

Scott L. Reiter
Attorney

Docket No. MC2005-3 Data Collection Report
Bookspan NSA
June 2006 – November 2006

Data Collection Plan Requirement on Quarterly basis:

- 7. A narrative comparison of Bookspan's actual volumes by rate category with:**
- a. Before rates forecast**
 - b. After rates forecast**
 - c. Subclass totals**
 - d. Relevant benchmarks (such as book companies, publishers, negative option customers) based on research using available and/or commissioned sources where possible.**

- a. Bookspan's actual volume for the six month period of June – November 2006 is 4.6 percent below its implied Before Rates forecast (presented in the filing on an annual basis). Historically, this time period is below monthly average mail volumes for Bookspan. It is expected to increase significantly for the upcoming six months.
- b. Bookspan's actual volume for the six month period of June – November 2006 is 29 percent below its After Rates forecast. As stated above, this reflects the seasonal mailing pattern, in comparison to the uniform average monthly volume implied by the annual forecast in the filing.
- c. The subclass totals for the six month period shifted compared to historical subclass totals of FY04. Specifically, total Standard Mail Automation letter-size mail volumes shifted to 99 percent for the period of June to November 2006 compared to 91 percent in FY04. This shift is reflected by increases in the Auto 3 Digit rate category (representing 83 percent compared to 65 percent in FY04), and in the Auto 5 digit rate category, representing 7.6 percent compared to 5 percent in FY04. However there were declines in Auto AADC (6 percent compared to 13 percent) and in Auto Mixed AADC (0.9 percent compared to 7.5 percent). The Non-Automation mail volume share declined from 1.7 percent to 0.1 percent within total letter-size Standard Mail and, within ECR volume, from 7.4 percent to 0.7 percent.
- d. The Association of American Publisher (AAP) YTD net sales declined 3.9 percent for the period June to November 2006, compared to the same period in 2005 for nine categories relevant to Bookspan (Adult Hardcover, Adult paperback, Adult Mass Market, Children's Hardcover, Children's Paperback, Audio Books, Electronic Books, Religious Books, and Other). For the time period June to November 2006, increased sales were recorded in Adult Hardcover books (8.1 percent), Adult Paperback books (7.1 percent) and Adult Mass Market books (6.5 percent) compared to the same period in 2005. However, for the time period June to November 2006, sales declined significantly in Children's Hardcover (down 37 percent) and Audio Books (down 15 percent).

Looking at 2006 Census Retail Book Store Data, Retail Book Store sales continue to lag overall Retail Stores generally. While Retail Stores are up 6.1 percent compared to 2005, Retail Book Store sales are down 1.8 percent, through November '06.

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8. Standard Mail letter-size volume that included strategic business alliance inserts by rate category.

Seven mailings included one insert from a strategic business alliance. The table below presents the total volume of these seven mailings, broken out by rate category.

Standard Mail Regular Letters

Mail Category	Volume
Mixed AADC Auto	16,956
AADC Auto	121,585
3-Digit Auto	1,615,116
5-Digit Auto	146,179
Basic NonAuto	1,610
Total Volume	<u>1,901,446</u>

Standard Mail ECR Letters

Mail Category	Volume
Basic Auto	13,349
Total Volume	<u>13,349</u>
GRAND TOTAL	<u>1,914,795</u>