

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

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

The United States Postal Service hereby provides the responses of its witnesses to Presiding Officer's Information Request (POIR) No. 3, issued on November 2, 2005. Witness Plunkett responds to question 1 in part and to questions 2(a) & (c); witness Yorgey responds to question 3; and Bookspan will respond to question 1 in part and to question 2(b) in a separate filing.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

1. At the hearings on October 19, 2005, the Presiding Officer asked witness Yorgey to examine an OCA cross-examination exhibit, and if necessary, provide corrected information. Tr. 2/202-3. Witness Yorgey provided a corrected version of the exhibit, including an explanation of her corrections. Her response includes a further statement regarding the applicability of the exhibit to the purpose for which OCA intended it.

The OCA exhibit purported to measure the volume response to changes in prices. In order to measure such a response accurately, all things, not just the letter mail mix as represented by the billing determinants, must be held constant. Further information is needed from Bookspan in order to confirm whether witness Epp's estimates cited in the exhibit represent such a scenario of *ceteris paribus*.<sup>1</sup>

Bookspan witness Epp provides a further response, which addresses the issue raised by Yorgey.<sup>2</sup> In his response, he states that, "As Witness Yorgey suggests, the assumptions underlying these letter volume estimates under different scenarios are obviously not the same." After describing the effects of what might be called a cross-elasticity between letters and flats, he goes on to identify several non-price factors that influence letter mail volume. This response indicates that Epp's volume forecasts assume differences between scenarios other than the implementation of the R2005-1 proposed rate increase and/or the implementation of the proposed NSA, as appropriate.

Please provide revised volume estimates that hold all factors other than the effects of Docket No. R2005-1, and/or the effects of the NSA (as appropriate to each scenario) constant. The Postal Service is also directed to revise USPS-T-2 Appendix A to incorporate before and after rates volume forecasts that assume all factors except the implementation of the NSA remain constant.

**RESPONSE:**

Please refer first to the response of witness Epp to this question.

I would add from the perspective of the Postal Service that the OCA's interrogatories and cross-examination during the hearing suggest a theory that the

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<sup>1</sup> Response of United States Postal Service Witness Yorgey to Request of Presiding Officer at Hearings, October 28, 2005.

<sup>2</sup> Response of Witness Epp to Partially Redirected Request of the Presiding Officer at Hearings, October 28, 2005.

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implementation of the NSA is purely a price effect, and that as such, this price effect has a direct relationship with mail volumes. The OCA's exhibit incorrectly assumes that there exists a direct relationship, and therefore a quantifiable single firm elasticity of mail volume in relation to the price of postage. The information Mr. Epp provides in response to this question illustrates that the existence and duration of the contract will motivate other changes in the company's behavior. These changes would not be reflected in a static model of price elasticity. Because the various factors he describes change the overall budget for direct mail and influence other changes in behavior, one cannot meaningfully quantify Bookspan's elasticity of mail volume in direct relation to postage. To require Bookspan to consider only a short-term price effect, and ignore the likely impact of the existence of an NSA of three years' duration on Bookspan's marketing budgeting and planning would not yield volume forecasts that would be meaningful for purposes of the consideration of the financial impact of this NSA on the Postal Service.

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2. The proposed DMCS language included in the Request defines eligible mail in terms that do not distinguish between Standard Regular and Standard ECR.

620.1 Eligible Standard Mail

620.11 Bookspan

Eligible Standard Mail under this section is defined as letter shaped pieces sent by Bookspan for the purpose of soliciting book club membership of persons who are not current subscribers to the book club or clubs Bookspan is promoting in the mailing or to book club members whose membership is expiring. Such pieces may be sent by Bookspan, by entities in which Bookspan holds controlling shares, or by their vendors on their behalf. Such letters may include promotions of Bookspan's strategic business alliances.

620.12 Other Mailers

Functionally equivalent NSAs, involving declining block rates for Standard Mail letter solicitations for book or analogous club memberships, may be entered into with other customers demonstrating a similar or greater multiplier effect, as specified by the Postal Service, and implemented pursuant to proceedings under Chapter 36 of Title 39, of the United States Code.

This contrasts with statements made by witness Plunkett during cross-examination.

Q And does your reference to standard mail in line five [of page four of your testimony] include reference to both standard regular and standard ACR [sic]?

A In line five I did not make a distinction between the two. **Of course our agreement with Bookspan is standard mail regular.** But my statement was more general in nature and I was discussing standard mail.

Q Bookspan does send mail at standard ECR, does it not?

A That's correct, they do.

Tr. 2/293-94 (emphasis added).

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A similar discussion ensued regarding the definition of functional equivalence.

Q I notice that the proposed EMCS [sic] language refers to standard mail letter solicitations. In your answer to interrogatory eight, you stated that you would expect any mailer qualifying as functionally equivalent would be producing standard mail regular letters for the purpose of acquiring customers and you made a similar response to ValPak one.

**I don't see the word 'regular' in the DMCS section. Is it your intent to limit functionally equivalent NSAs to standard regular solicitations?**

Q Okay. ....

**As a policy witness here, would the Postal Service oppose or support inserting the word 'regular' in this language?**

A I'd have to take that up with the people who worked in crafting this. I'm at a loss to think of a reason why we would object strongly. I haven't really given it much thought.

Tr. 2/325-26 (emphasis added).

- a. The proponents are requested to confer and jointly clarify to the Commission their understanding of the intent of the terms to which they agreed. Did they intend to restrict eligible mail to Standard Regular letters, or did they intend for Standard ECR letters to also be eligible?
- b. Do Bookspan witness Epp's volume forecasts include Standard Regular and Standard ECR, or just Standard Regular?
- c. If necessary, please provide a revised version of USPS-T-2 Appendix A to reflect the response to part a.

**RESPONSE:**

- a. It was and remains the intention of the proponents that eligible mail under the NSA include both Standard Mail Regular and Standard Mail ECR.
- b. Bookspan will respond.
- c. USPS-T-2 Appendix A reflects both subclasses; no revision is necessary.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YORGEY  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

3. Please identify the version of the Postal Service's financial analysis (originally filed as USPS-T-2 Appendix A) that reflects the rates included in the Commission's R2005-1 Opinion and Recommended Decision, or provide one if necessary.

**RESPONSE:**

Please see the attachments.

## Bookspan - Response to POIR3

Negotiated Service Agreement

Appendix A, page 1

	FY 2006	FY 2007	FY 2008
(1) Inflation cost adjustment factor	4.0%	4.0%	4.0%
(2) Conversion of Standard Mail Flats to Standard Mail Letters	63.0%	63.3%	62.5%
(3) Contingency Factor	1.00		

(1) Docket No. MC2004-4/USPS-T-1, pg 13

(2) Docket No. MC2005-3, Bookspan T-2, p11

(3) Contingency provision of zero percent, Docket No.R2005-1, USPS-T-6, p. 18.

**Bookspan - Response to POIR3**  
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	FY 2002	FY 2003	FY 2004	FY 2006	FY 2007	FY 2008
<b>Volume calculations (1)</b>				<b>Forecast Volumes (2)</b>		
<b>Before Rates (BR)</b>						
New Membership Std letter-size	84,694,802	82,991,923	94,014,756	78,000,000	75,000,000	75,000,000
New Membership Std Flat-size	215,324,921	196,631,597	164,378,427	137,000,000	129,000,000	130,000,000
<b>Total</b>	<b>300,019,723</b>	<b>279,623,520</b>	<b>258,393,183</b>	<b>215,000,000</b>	<b>204,000,000</b>	<b>205,000,000</b>
<b>After Rates (AR)</b>						
New Membership Std letter-size				105,000,000	105,000,000	107,000,000
New Membership Std Flat-size				120,000,000	110,000,000	110,000,000
<b>Total</b>				<b>225,000,000</b>	<b>215,000,000</b>	<b>217,000,000</b>

- (1) CBCIS - FY 2002, 2003, 2004 volumes
- (2) Docket No. MC2005-3, Bookspan T-2, p11

**Bookspan - Response to POIR3**  
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**Standard Mail Regular Letter-size Revenue per piece**

Mail Category	Bookspan average		
	Revenue per piece (1)	Volume (2)	Revenue (3)
Nonauto Basic	0.274	1,518,805	\$ 416,338
Nonauto 3/5-Digit	0.245	58,859	\$ 14,413
Auto Mixed AADC	0.228	7,078,780	\$ 1,613,417
Auto AADC	0.216	12,572,357	\$ 2,709,992
Auto 3-digit	0.193	60,973,641	\$ 11,752,555
Auto 5-digit	0.176	4,830,798	\$ 849,053
<b>Total</b>		<b>87,033,240</b>	<b>\$ 17,355,768</b>
<b>Revenue per piece</b>			<b>\$ 0.199</b>

USPS TYAR Totals			
	Revenue per piece (5)	Volume (6)	Revenue (7)
\$	0.276	801,064,649	\$ 221,408,063
\$	0.249	697,778,977	\$ 174,021,436
\$	0.229	2,225,648,221	\$ 510,350,945
\$	0.218	2,506,836,948	\$ 545,899,318
\$	0.199	18,036,591,744	\$ 3,592,907,632
\$	0.179	19,268,811,720	\$ 3,454,871,315
		<b>43,536,732,259</b>	<b>\$ 8,499,458,709</b>
			<b>\$ 0.195</b>

**Standard Mail ECR Letter-size Revenue per piece**

Mail Category	Revenue per piece	Volume	Revenue
Nonauto Basic Letters	0.180	5,575,871	1,003,174
Auto Basic Letters	0.156	1,405,645	219,916
<b>Total</b>		<b>6,981,516</b>	<b>1,223,090</b>
<b>Revenue per piece</b>			<b>\$ 0.175</b>
<b>Average Revenue per piece</b>			<b>\$ 0.198</b>

	Revenue per piece	Volume	Revenue
\$	0.182	2,204,590,228	\$ 400,863,057
\$	0.158	2,012,745,225	\$ 318,400,916
		<b>4,217,335,453</b>	<b>\$ 719,263,973</b>
			<b>\$ 0.171</b>
			<b>\$ 0.193</b>

- (1) Based on R2005 rates (see Attachment 2 for calculations)
- (2) CBCIS, Bookspan FY2004 volume
- (3) (1)\*(2)
- (4) Bookspan (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)
- (5) (7)/(6)
- (6) Docket No. R2005-1, PRC-LR-12
- (7) Docket No. R2005-1, PRC-LR-12
- (8) USPS (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)

(4)

(8)

**Bookspan - Response to POIR3**

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**Standard Regular Unit Cost**

	USPS			Bookspan			
	TYAR 2006 Total Unit Cost (Dollars) (1)	TYAR 2006 Mail Volume (Pieces) (2)	TYAR 2006 Mail Volume (Percent) (3)	TYAR 2006 Total Unit Cost (Dollars) (4)	FY 2004 Mail Volume (Pieces) (6)	FY 2004 Mail Volume (Percent) (7)	Company Avg. Letter Cost w/Contingency (Dollars) (8)
<b>LETTERS</b>							
Nonauto Basic	0.235	809,733,939	1.9%	0.235	1,518,805	1.7%	
Nonauto 3/5-Digit	0.220	697,778,977	1.6%	0.220	58,859	0.1%	
Auto Mixed AADC	0.094	2,217,147,820	5.1%	0.094	7,078,780	8.1%	
Auto AADC	0.085	2,496,325,308	5.7%	0.085	12,572,357	14.4%	
Auto 3-digit	0.081	17,989,964,663	41.4%	0.081	60,973,641	70.1%	
Auto 5-digit	0.070	19,265,167,056	44.3%	0.070	4,830,798	5.6%	
				(5)			
<b>Total/average</b>	<b>0.082</b>	<b>43,476,117,763</b>	<b>100.0%</b>	<b>0.085</b>	<b>87,033,240</b>	<b>100.0%</b>	<b>\$ 0.085</b>

**Standard ECR Unit Cost**

	TYAR 2006 Total Unit Cost (Dollars) (9)	TYAR 2006 Mail Volume (Pieces) (10)	TYAR 2006 Mail Volume (Percent) (11)	TYAR 2006 Total Unit Cost (Dollars) (12)	FY 2004 Mail Volume (Pieces) (14)	FY 2004 Mail Volume (Percent) (15)	Company Avg. Letter Cost w/Contingency (Dollars) (16)
	<b>LETTERS</b>						
Nonauto Basic Letters	0.094	2,204,590,228	52.3%	0.094	5,575,871	79.9%	
Auto Basic Letters	0.046	2,008,138,417	47.7%	0.046	1,405,645	20.1%	
				(13)			
<b>Total/Average</b>	<b>0.071</b>	<b>4,212,728,645</b>	<b>100.0%</b>	<b>0.084</b>	<b>6,981,516</b>	<b>100.0%</b>	<b>\$ 0.084</b>

**Bookspan Average Cost per piece**

**\$ 0.085 (17)**

- (1) Docket No. R2005-1 (USPS-LR-K-48 as revised 05/20/05, USPS-LR-K-67, USPS-LR-K-119) x 1.001
- (2) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (3) Each row in (2) divided by total in (2)
- (4) (1)
- (5) (4) x (7) Bookspan weighted average
- (6) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 3)
- (7) Each row in (6) divided by total in (6)
- (8) Total Unit Cost (5) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (9) Docket No. R2005-1 (USPS-LR-K-67, USPS-LR-K-84, USPS-LR-K-119) x 1.001
- (10) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (11) Each row in (10) divided by total in (10)
- (12) (9)
- (13) (12) x (15) Bookspan weighted average
- (14) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 3)
- (15) Each row in (14) divided by total in (14)
- (16) Total Unit Cost (13) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (17) ((8)x(6) + (16)x(14)) / ((6) + (14))

**Bookspan - Response to POIR3**  
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**Standard Mail Regular Non-letter Revenue per piece**

Mail Category	Bookspan average		
	Revenue per piece (1)	Volume (2)	Revenue (3)
Nonauto Basic	\$ 0.362	29,186	10,564
Nonauto 3/5 Digit	\$ 0.281	1,367,428	383,885
Auto Basic	\$ 0.311	167,112	51,897
Auto 3/5 Digit	\$ 0.252	97,096,345	24,460,404
<b>Total</b>		<b>98,660,071</b>	<b>\$ 24,906,750</b>
<b>Revenue per piece</b>			<b>\$ 0.252</b>

USPS TYAR Totals			
Revenue per piece (5)	Volume (6)	Revenue (7)	
\$ 0.439	295,780,664	129,880,374	
\$ 0.348	563,700,887	196,423,222	
\$ 0.404	395,702,206	159,686,570	
\$ 0.305	11,168,522,297	3,406,054,465	
	<b>12,423,706,054</b>	<b>\$ 3,892,044,631</b>	
		<b>\$ 0.313</b>	

**Standard Mail ECR Non-letter Revenue per piece**

Mail Category	Revenue per piece	Volume	Revenue
Basic Non-letter	\$ 0.178	65,718,356	11,708,467
<b>Total</b>		<b>65,718,356</b>	<b>\$ 11,708,467</b>
<b>Revenue per piece</b>			<b>\$ 0.178</b>
<b>Average Revenue per piece</b>			<b>\$ 0.223</b>

Revenue per piece	Volume	Revenue
\$ 0.208	12,237,543,949	2,547,453,523
	<b>12,237,543,949</b>	<b>\$ 2,547,453,523</b>
		<b>\$ 0.208</b>
		<b>\$ 0.261</b>

(4)

(8)

- (1) Based on R2005 rates (see Attachment 2 for calculations)
- (2) CBCIS, Bookspan FY2004 volume
- (3) (1)\*(2)
- (4)  $\frac{\text{Bookspan (Standard Mail Regular Revenue + Standard Mail ECR Revenue)}}{\text{(Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)}}$
- (5) (7)/(6)
- (6) Docket No. R2005-1, PRC-LR-12
- (7) Docket No. R2005-1, PRC-LR-12
- (8)  $\frac{\text{USPS (Standard Mail Regular Revenue + Standard Mail ECR Revenue)}}{\text{(Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)}}$

**Bookspan - Response to POIR3**

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**Standard Regular Unit Cost**

	USPS			Bookspan			
	TYAR 2006 Total Unit Cost (Dollars) (1)	TYAR 2006 Mail Volume (Pieces) (2)	TYAR 2006 Mail Volume (Percent) (3)	TYAR 2006 Total Unit Cost (Dollars) (4)	FY 2004 Mail Volume (Pieces) (6)	FY 2004 Mail Volume (Percent) (7)	Company Avg. Letter Cost w/Contingency (Dollars) (8)
<b>NON-LETTERS</b>							
Nonauto Basic	0.351	443,471,958.026	3.4%	0.351	29,186	0.0%	
Nonauto 3/5 Digit	0.265	925,540,123.464	7.1%	0.265	1,367,428	1.4%	
Auto Basic	0.347	414,714,246.537	3.2%	0.347	167,112	0.2%	
Auto 3/5 Digit	0.261	11,218,794,042.215	86.3%	0.261	97,096,345	98.4%	
<b>Total/average</b>	<b>0.267</b>	<b>13,002,520,370</b>	<b>100.0%</b>	<b>0.261</b>	<b>98,660,071</b>	<b>100.0%</b>	<b>\$ 0.261</b>

**Standard ECR Unit Cost**

	TYAR 2006 Total Unit Cost (Dollars) (9)	TYAR 2006 Mail Volume (Pieces) (10)	TYAR 2006 Mail Volume (Percent) (11)	TYAR 2006 Total Unit Cost (Dollars) (12)	FY 2004 Mail Volume (Pieces) (14)	FY 2004 Mail Volume (Percent) (15)	Company Avg. Letter Cost w/Contingency (Dollars) (16)
<b>NON-LETTERS</b>							
Basic Non-Letters	0.098	12,224,335,151	100.0%	0.098	65,718,356	100.0%	
<b>Total/Average</b>	<b>0.098</b>	<b>12,224,335,151</b>	<b>100.0%</b>	<b>0.098</b>	<b>65,718,356</b>	<b>100.0%</b>	<b>\$ 0.098</b>

**Bookspan Average Cost per piece**

**\$ 0.196**

(17)

- (1) Docket No. R2005-1 (USPS-LR-K-58, USPS-LR-K-67, USPS-LR-K-119) x 1.001
- (2) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (3) Each row in (2) divided by total in (2)
- (4) (1)
- (5) (4) x (6) Bookspan weighted average
- (6) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 5)
- (7) Each row in (6) divided by total in (6)
- (8) Total Unit Cost (5) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (9) Docket No. R2005-1 (USPS-LR-K-67, USPS-LR-K-84, USPS-LR-K-119) x 1.001
- (10) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (11) Each row in (10) divided by total in (10)
- (12) (9)
- (13) (12) x (15) Bookspan weighted average
- (14) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 5)
- (15) Each row in (14) divided by total in (14)
- (16) Total Unit Cost (13) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (17) ((8)x(6) + (16)x(14)) / ((6) + (14))

**Bookspan - Response to POIR3**

Negotiated Service Agreement

Appendix A, page 7

**Agreement Structure**

FY2006			FY2007			FY2008		
Threshold		Discount	Threshold		Discount	Threshold		Discount
87,000,001	120,000,000	\$ 0.020	85,000,001	110,000,000	\$ 0.020	94,000,001	100,000,000	\$ 0.010
120,000,001	150,000,000	\$ 0.030	110,000,001	150,000,000	\$ 0.030	100,000,001	120,000,000	\$ 0.020
						120,000,001	150,000,000	\$ 0.030

**Discount on volume above threshold**

(1) Before Rates Forecast	78,000,000	75,000,000	75,000,000
(2) After Rates Forecast	105,000,000	105,000,000	107,000,000
(3) Discount in first tier	\$ 360,000	\$ 400,000	\$ 60,000
Discount in second tier	\$ -	\$ -	\$ 140,000
Discount in third tier		\$ -	\$ -
(4) <b>Discount Earned</b>	<b>\$ 360,000</b>	<b>\$ 400,000</b>	<b>\$ 200,000</b>

**Exposure on volume above threshold**

(5) Threshold	87,000,001	85,000,001	94,000,001
(6) Before Rates Forecast	78,000,000	75,000,000	75,000,000
(7) Exposed Pieces	-	-	-
(8) After Rates Forecast	105,000,000	105,000,000	107,000,000
(9) Discount Exposure in first tier	\$ -	\$ -	\$ -
Discount Exposure in second tier	\$ -	\$ -	\$ -
Discount Exposure in third tier			\$ -
(10) <b>Total Exposure</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(1) Before Rates Total Volume (Appendix A, pg. 2)

(2) After Rates Total Volume (Appendix A, pg. 2)

(3) Discount Earned per discount tier based on rate chart above.

(4) Sum of discounts earned in first tier to fifth tier

(5) Agreement Structure Beginning Threshold

(6) (1)

(7) If the Before Rates Forecast volume (6) is greater than the Threshold volume (5), then the total pieces represent the volume on which Discount Exposure occurs

(8) (2)

(9) If the Before Rates Forecast volume (6) is greater than the Threshold volume (5), then the Discount Exposure represents the discount X the volume per discount tier.

(10) Sum of Exposure in first tier to third tier

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	FY2006	(7) FY2007	(8) FY2008
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**Standard Mail Letters**

(1) Standard letters Revenue per Piece	0.198	0.198	0.198
(2) Standard letters Cost per Piece	0.085	0.088	0.092
(3) Standard letters Contribution per Piece	0.113	0.109	0.106

**Standard Mail Non-letters**

(4) Standard Non-letter Revenue per Piece	0.223	0.223	0.223
(5) Standard Non-letter Cost per Piece	0.196	0.204	0.212
(6) Standard Non-letter Contribution per Piece	0.027	0.019	0.011

- (1) Average Revenue per Piece (Appendix A, pg. 3, (4))
- (2) Average Cost per Piece (Appendix A, pg. 4, (17))
- (3) (1) - (2)
- (4) Average Revenue per Piece (Appendix A, pg. 5, (4))
- (5) Average Cost per Piece (Appendix A, pg. 6, (17))
- (6) (4) - (5)
- (7) Year 1 \* Inflation cost adjustment factor Year 2 (Appendix A, pg. 1, (1))
- (8) Year 2 \* Inflation cost adjustment factor Year 3 (Appendix A, pg. 1, (1))

## Bookspan - Response to POIR3

Negotiated Service Agreement

Appendix A, page 9

	FY2006	FY2007	FY2008	Total
(1) Contribution from new Standard letter mail	\$ 1,126,683	\$ 1,201,975	\$ 1,268,839	3,597,497
(2) Contribution from Standard non-letter mail converted to Standard letter mail	\$ 1,459,597	\$ 1,715,669	\$ 1,898,312	5,073,578
(3) <b>Total New Contribution</b>	\$ 2,586,281	\$ 2,917,643	\$ 3,167,151	8,671,075
(4) <b>Total Discount Exposure</b>	\$ -	\$ -	\$ -	-
(5) <b>Total Incremental Discounts</b>	\$ 360,000	\$ 400,000	\$ 200,000	960,000
<b>(6) Total USPS Value</b>	<b>\$ 2,226,281</b>	<b>\$ 2,517,643</b>	<b>\$ 2,967,151</b>	<b>\$ 7,711,075</b>

- (1) (Assumption (2), (Appendix A, pg. 1)) X (Volume Before Discount (Appendix A, pg. 2) - Volume After Discount (Appendix A, pg. 2))  
X (Contribution Standard letter mail (3), (Appendix A, pg. 8) - Contribution Standard non-letter mail (6),(Appendix A, pg. 8)
- (2) 1minus Assumption (2), (Appendix A, pg. 1) X (Volume After Discount (Appendix A, pg. 2) - Volume After Discount (Appendix A, pg. 2))  
X Contribution Standard letter mail (Appendix A, pg. 8)
- (3) Sum of (1) + (2)
- (4) Total Discount Exposure (10)(Appendix A, pg. 7)
- (5) Discount Earned (4) (Appendix A, pg. 7)
- (6) (3) - (4) - (5)

Response to POIR 3, Attachment 2, p. 1 of 2  
Standard Mail Regular Subclass  
Bookspan MAIL CATEGORIES

	2004				R2005	
	<u>Revenue</u>	<u>Rev/pc</u>	<u>Pieces</u>	<u>% Change</u>	<u>Rev/pc</u>	<u>Revenue</u>
<b>Non-Auto Basic Letters</b>	<b>398,179</b>	<b>0.262</b>	<b>1,518,805</b>	4.6%	<b>0.274</b>	<b>416,337.76</b>
No Destination Entry	270,344	0.270	1,000,573	4.4%	0.282	282,161.59
BMC Destination Entry	100,420	0.248	405,402	5.0%	0.260	105,404.52
SCF Destination Entry	27,415	0.243	112,830	4.9%	0.255	28,771.65
<b>Non-Auto 3/5-digit Letters</b>	<b>13,882</b>	<b>0.236</b>	<b>58,859</b>	3.8%	<b>0.245</b>	<b>14,413.09</b>
No Destination Entry	5,820	0.251	23,224	4.2%	0.261	6,061.46
BMC Destination Entry	610	0.234	2,607	2.2%	0.239	623.07
SCF Destination Entry	7,452	0.226	33,028	3.7%	0.234	7,728.55
<b>Auto Mixed AADC Letters</b>	<b>1,529,430</b>	<b>0.216</b>	<b>7,078,780</b>	5.5%	<b>0.228</b>	<b>1,613,417.39</b>
No Destination Entry	1,333,403	0.219	6,088,744	5.5%	0.231	1,406,499.86
BMC Destination Entry	196,027	0.198	990,036	5.6%	0.209	206,917.52
<b>Auto AADC Letters</b>	<b>2,575,943</b>	<b>0.205</b>	<b>12,572,357</b>	5.2%	<b>0.216</b>	<b>2,709,991.77</b>
No Destination Entry	1,764,862	0.212	8,324,819	5.2%	0.223	1,856,434.64
BMC Destination Entry	803,715	0.191	4,207,936	5.2%	0.201	845,795.14
SCF Destination Entry	7,366	0.186	39,602	5.4%	0.196	7,761.99
<b>Auto 3-digit Letters</b>	<b>11,138,540</b>	<b>0.183</b>	<b>60,973,641</b>	5.5%	<b>0.193</b>	<b>11,752,554.73</b>
No Destination Entry	865,452	0.203	4,263,380	5.4%	0.214	912,363.32
BMC Destination Entry	8,567,562	0.182	47,074,520	5.5%	0.192	9,038,307.84
SCF Destination Entry	1,705,526	0.177	9,635,741	5.6%	0.187	1,801,883.57
<b>Auto 5-digit Letters</b>	<b>805,554</b>	<b>0.167</b>	<b>4,830,798</b>	5.4%	<b>0.176</b>	<b>849,053.42</b>
No Destination Entry	4,198	0.190	22,095	5.3%	0.200	4,419.00
BMC Destination Entry	430,234	0.169	2,545,761	5.3%	0.178	453,145.46
SCF Destination Entry	371,122	0.164	2,262,942	5.5%	0.173	391,488.97
	16,461,528		87,033,240			17,355,768
<b>Standard Mail Enhanced Carrier Route Subclass</b>						
<b>Nonauto Basic Letters</b>	<b>952,919</b>	<b>0.171</b>	<b>5,575,871</b>	5.3%	<b>0.180</b>	<b>1,003,174.28</b>
No Destination Entry	13,906	0.194	71,681	5.2%	0.204	14,622.92
BMC Destination Entry	496,054	0.173	2,867,364	5.2%	0.182	521,860.25
SCF Destination Entry	442,228	0.168	2,632,311	5.4%	0.177	465,919.05
DDU Destination Entry	731	0.162	4,515	5.6%	0.171	772.07
<b>Auto Basic Letters</b>	<b>208,620</b>	<b>0.148</b>	<b>1,405,645</b>	5.4%	<b>0.156</b>	<b>219,915.80</b>
No Destination Entry	8,719	0.171	50,986	5.3%	0.180	9,177.48
BMC Destination Entry	104,265	0.150	695,098	5.3%	0.158	109,825.48
SCF Destination Entry	95,636	0.145	659,561	5.5%	0.153	100,912.83
	1,161,539		6,981,516			1,223,090
Source: CBCIS revenue and volume, Bookspan FY2004	17,623,067		94,014,756			18,578,858
		<b>0.187</b>		5.4%	<b>0.198</b>	

Response to POIR 3, Attachment 2, page 2 of 2  
Standard Mail Regular Subclass  
Bookspan Mail Categories

MAIL CATEGORY	<u>Revenue</u>	<u>Rev/pc</u>	<u>Pieces</u>	<u>% Change</u>	<u>R2005 Rev/pc</u>	<u>Revenue</u>
<b>Basic Nonletters (piece-rated)</b>	<b>10,917</b>	<b>0.374</b>	<b>29,186</b>	<b>-3.23%</b>	<b>0.362</b>	<b>10,564.49</b>
No Destination Entry	10,425	0.375	27,821	-3.13%	0.363	10,099.02
BMC Destination Entry	492	0.360	1,365	-5.38%	0.341	465.47
<b>3/5-digit Nonletters (piece-rated)</b>	<b>395,959</b>	<b>0.290</b>	<b>1,367,428</b>	<b>-3.05%</b>	<b>0.281</b>	<b>383,885.48</b>
No Destination Entry	21,383	0.299	71,446	1.57%	0.304	21,719.58
BMC Destination Entry	172,137	0.271	635,777	4.15%	0.282	179,289.11
SCF Destination Entry	202,438	0.307	660,205	-9.66%	0.277	182,876.79
<b>Basic Automation Nonletters (piece-rated)</b>	<b>49,264</b>	<b>0.295</b>	<b>167,112</b>	<b>5.34%</b>	<b>0.311</b>	<b>51,896.68</b>
No Destination Entry	37,715	0.300	125,716	5.33%	0.316	39,726.26
BMC Destination Entry	11,550	0.279	41,396	5.38%	0.294	12,170.42
<b>3/5-digit Automation Nonletters (piece-rated)</b>	<b>23,192,500</b>	<b>0.239</b>	<b>97,096,345</b>	<b>5.47%</b>	<b>0.252</b>	<b>24,460,403.57</b>
No Destination Entry	1,475,412	0.261	5,652,918	5.36%	0.275	1,554,552.45
BMC Destination Entry	10,938,299	0.240	45,576,245	5.42%	0.253	11,530,789.99
SCF Destination Entry	10,778,790	0.235	45,867,182	5.53%	0.248	11,375,061.14
<b>Standard Mail Enhanced Carrier Route Subclass</b>						
<b>Basic Nonletters (piece-rated)</b>	<b>11,116,945.68</b>	<b>0.169</b>	<b>65,718,356</b>	<b>5.32%</b>	<b>0.178</b>	<b>11,708,467.41</b>
No Destination Entry	107,560	0.195	552,428	4.77%	0.204	112,695.31
BMC Destination Entry	2,162,047	0.173	12,497,369	5.20%	0.182	2,274,521.16
SCF Destination Entry	8,818,066	0.168	52,487,892	5.36%	0.177	9,290,356.88
DDU Destination Entry	29,272	0.162	180,667	5.54%	0.171	30,894.06
Source: CBCIS revenue and volume, Bookspan FY2004	<b>34,765,586</b>	<b>0.211</b>	<b>164,378,427</b>	<b>5.32%</b>	<b>0.223</b>	<b>36,615,218</b>

## **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.

Scott L. Reiter

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November 9, 2005