

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 FOLLOW-UP
INTERROGATORY TO UNITED STATES POSTAL SERVICE
WITNESS MICHELLE K. YORGEY (OCA/USPS-T2-25)
November 16, 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 an interrogatory and request 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-T2-25. Please refer to the response to interrogatory OCA/USPS-T2-23, and the attachment thereto, provided on November 15, 2005.

- a. Please confirm that in that attachment, the calculations of elasticities apply a TYAR 2006 price of \$0.178 to 105,000,000 letters. If you do not confirm, please identify where in the calculations the price of \$0.178 is applied to 17,000,000 letters.
- b. Please confirm that the “equation form used to forecast mail volumes by witness Thress in R2005-1” does not work when L_{OLD} is zero (as is the case with a new discount). If you do not confirm, please demonstrate the use of witness Thress’s equation when L_{OLD} is zero.
- c. Please confirm that the average revenue per piece for Bookspan’s letters in TYAR 2006 is \$0.1842 $((105 * \$0.18745 - 17 * \$0.02)/105)$. If you do not confirm, please provide the correct average revenue per piece and show its derivation.
- d. Please confirm that replacing \$0.178 with \$0.1842 at note [6] of the attachment produces the following elasticities. If you do not confirm, please provide the correct elasticities resulting from the above substitution and show their derivations.

Bookspan Elasticities:**Letters:**

Own-Price Elasticity	-0.932
Discount Elasticity	0.542

Flats:

Own-Price Elasticity	-0.154
Discount Elasticity	-0.310

Total:

Own-Price Elasticity	-0.507
Discount Elasticity	0.079

- e. Please confirm that the elasticities presented above will generate 5,284,000 completely new letters (assuming discount elasticity is zero), 20,338,000 diverted letters (assuming own-price elasticity is zero), and 1,318,000 “compound” letters (105,000,000 – 5,284,000 – 20,338,000). If you do not confirm, please provide the correct letter volumes and show their derivations.
- f. Please confirm that neither the attachment to interrogatory OCA/USPS-23 nor these interrogatories have any relevance when the marginal price differs from the average price. If you do not confirm, please explain.