

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001**

---

**RATE AND SERVICE CHANGES TO  
IMPLEMENT BASELINE NEGOTIATED  
SERVICE AGREEMENT WITH  
WASHINGTON MUTUAL BANK**

---

**Docket No. MC2006-3**

**RESPONSE OF WASHINGTON MUTUAL BANK  
WITNESS MICHAEL RAPAPORT TO  
POIR INFORMATION REQUEST NO. 2  
(July 26, 2006)**

Washington Mutual Bank hereby provides the responses of Michael Rapaport to the Presiding Officer's Information Request No. 2, issued on July 18, 2006.

Respectfully submitted,

---

Timothy J. May  
Patton Boggs, LLP  
2550 M Street, NW  
Washington, DC 20037  
Tel: 202 457 6050  
Fax: 202 457 6315  
[tmay@pattonboggs.com](mailto:tmay@pattonboggs.com)

Dated : July 26, 2006

**RESPONSE OF WASHINGTON MUTUAL BANK WITNESS RAPAPORT TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

**QUESTIONS**

- a. Have the co-proponents considered the impact of the recently issued Bank One and Bookspan Opinions on the Washington Mutual Bank Negotiated Service Agreement Request?
- b. What concerns and issues expressed by the Commission in the Bank One and Bookspan Opinions, including but not limited to the application of the Alternative Model for Negotiating Volume Discounts, have the co-proponents considered?
- c. Of the issues considered in 1(b) above, what were the results of any analysis performed, and what were the conclusions drawn from the analysis?
- d. What modifications have the co-proponents proposed to be made to the Washington Mutual Bank Negotiated Service Agreement Request after consideration of the analysis performed and conclusions drawn as referenced in 1(c) above?

**RESPONSE**

- (a) WMB's focus while the proceeding was temporarily suspended was on reviewing our volume figures and ensuring that the agreement (as renegotiated) would still benefit the company. However, we did also consider the impact of the recently issued Opinions on our NSA.
- (b)-(c) The major item that WMB considered (albeit more in qualitative terms than quantitative ones) was the Commission's application of the Panzar framework to the Bookspan NSA.

I understand that, in the previous NSAs, the Commission capped discounts at cost savings because it did not find the volume estimates reliable. While, in the Bookspan NSA, the Commission again did not find the volume estimates reliable, the Panzar framework allowed the Commission to include volume effects in its evaluation of the NSA.

I found this to be encouraging. If, like in its analysis of the Bookspan NSA, the Commission evaluated the WMB NSA based upon its impact on WMB volume (however measured) as well as its cost savings (rather than based upon its cost savings alone), the Commission would be more likely to approve the NSA. At a minimum, such an evaluation would likely result in the imposition of a protective mechanism that is much less limiting than a cost-savings cap.

- (d) WMB did not propose any modifications based upon the qualitative analysis described in response to 1(b)-(c).