

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INSTITUTIONAL RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE PITNEY BOWES INC.
REDIRECTED FROM WITNESS TAUFIQUE
(PB/USPS-T-1 THROUGH 8, 14, 26 THROUGH 37, and 41 THROUGH 43)

The United States Postal Service hereby files institutional responses to the following interrogatories of Pitney Bowes Inc., redirected from witness Taufique: PB/USPS-T32-1 through 8, 14, 26 through 37, and 41 through 43. The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE
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PB/USPS-T32-1. Please list all methods of payment evidencing that can be used for single-piece First-Class Mail in the Base Year.

RESPONSE

The methods of postage payment evidencing that are eligible for single-piece First-Class Mail in the base year are outlined in DMM 134.1.1, under Payment Method.

Postage for single-piece rate First-Class Mail must be paid with affixed postage (604.1.0 for stamps or 604.4.0 for metered postage including PC Postage) or permit imprint (604.5.0) as specified in 1.0. A permit imprint may be used for mailings of nonidentical-weight pieces only if authorized by Business Mailer Support at USPS Headquarters.

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PB/USPS-T32-2. Please list all methods of payment evidencing (e.g., stamps, PCPostage, meters indicia, permit, etc.) that could be used for single-piece First-Class Mail in the Test Year.

RESPONSE

The methods of postage payment evidencing that are eligible for single-piece First-Class Mail in the test year are outlined in DMM 134.1.1, under Payment Method.

DMM 134.1.1 Postage for single-piece rate First-Class Mail must be paid with affixed postage (604.1.0 for stamps or 604.4.0 for metered postage including PC Postage) or permit imprint (604.5.0) as specified in 1.0. A permit imprint may be used for mailings of nonidentical-weight pieces only if authorized by Business Mailer Support at USPS Headquarters.

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PB/USPS-T32-3. For each of the payment evidencing methods identified in your responses to 1 and 2 above, please list all channels (e.g., counter sales, PC Postage, meter indicia, Automated Teller Machines (ATMs), Automated Postage Centers (vending machines or APCs), Stamps By Mail, etc.) that the Postal Service uses to sell postage that can be used for single-piece First-Class Mail postage.

RESPONSE

Information about use of meters and PC Postage is available in DMM 604.4.

Information for use of Permit Imprint postage evidencing to pay First-Class Mail single piece postage is available in DMM 604.5. Information about using postage stamps is available in DMM 604.1. Stamps are available through the following channels:

Post Offices

Stamps Online

APCs

Vending Machines

Contract Post Offices

Stamps by Mail

Stamps by Phone

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PB/USPS-T32-4. For each channel identified in your response to 3, please provide the Postal Service’s Base Year and Test Year attributable unit cost (using USPS costing methods) for selling postage for single-piece First-Class Mail letters. Please provide all of your supporting data, calculations, and data sources.

RESPONSE

USPS computed unit costs associated with postage sales for First Class Single Piece at the retail window for the Base Year are shown below. The denominator to compute the per-unit cost is from the response to PB/USPS-T32-6, below.

	Window Postage Sales Cost for FC Single Piece ¹	Total First-Class Single Piece Stamps Sold ²	Unit Costs ³
USPS	221,779	19,757,069	0.011

1: WS3.2.2 in B Workpapers, USPS-LR-L-5

2: From the response to USPS-T32-6, below.

3: Divide window stamp sales cost by total First-Class Stamp Sales in Base Year.

These costs are not projected for the test year. Also, the costs for other retail channels are not available.

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PB/USPS-T32-5. For each channel identified in your response to 3, please provide the Postal Service's Base Year and Test Year attributable unit cost (using PRC costing methods) for selling postage for single-piece First-Class Mail letters. Please provide all of your supporting data, calculations, and data sources.

RESPONSE

PRC computed unit costs associated with postage sales for First Class Single Piece at the retail window for the Base Year are shown below. The denominator for computing the per-unit cost is from the response to PB/USPS-T32-6, below.

	Window Postage Sales Cost for FC Single Piece ¹	Total First-Class Single Piece Stamps Sold ²	Unit Costs ³
PRC	226,627	19,757,069	0.011

1: WS3.2.2 in LR-L-93, Spreadsheets, CS03.xls

2: From the response to USPS-T32-6, below.

3: Divide window stamp sales cost by total First-Class Stamp Sales in Base Year.

These costs are not projected for the test year. Also, the costs for other retail channels are not available.

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PB/USPS-T32-6. How many single-piece First-Class Mail letter stamp sales took place at retail windows (or post office counters) in USPS owned or leased facilities in the Base Year? Please also provide the number for each of the previous five years.

RESPONSE

	POS TOTAL REPORTED PIECES	POS UNITS	PIECES PER UNIT	POS TOTAL ADJUSTED PIECES	%CHG	ADJUSTMENT +18% FOR NON POS UNITS
FY 2005	16,743,278,453	17,589	951,918	16,743,278,453	11.4%	19,757,068,575
FY 2004	16,362,015,226	15,224	1,074,751	18,903,802,273	-5.7%	22,306,486,683
FY 2003				20,050,000,000	-2.8%	23,659,000,000
FY 2002				20,630,000,000	-1.4%	24,343,400,000
FY 2001				20,930,000,000	-1.9%	24,697,400,000
FY 2000				21,340,000,001		25,181,200,001

POSTAL ONE total pieces per-unit is extrapolated back to the previous years (prior to 2004) with declining annual percent change due to fewer alternate channels available. The POS data is not available for years prior to FY 2004, therefore the data prior to FY 2004 is an estimate.

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PB/USPS-T32-7. How many single-piece First-Class Mail letter stamp sales are expected to take place at retail windows (or post office counters) in the Test Year? Please provide all underlying calculations and explain fully any changes from the Base Year.

RESPONSE

	POS TOTAL REPORTED PIECES	POS UNITS	PIECES PER UNIT	POS TOTAL ADJUSTED PIECES	%CHG	ADJUSTMENT +18% FOR NON POS UNITS
FY 2008	11,645,058,259	17,589	662,065	11,645,058,259	- 11.4%	13,741,168,745
FY 2007	13,143,406,612	17,589	747,251	13,143,406,612	- 11.4%	15,509,219,803
FY 2006	14,834,544,709	17,589	843,399	14,834,544,709	- 11.4%	17,504,762,757

FY 2008 Test Year is projected based on the application of observed growth rate between FY 2004 and 2005.

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PB/USPS-T32-8. Please refer to Section 2, Section 2.1.1 of the *Transformation Plan Progress Report* of November 2004:

- a. Please confirm that this section is captioned “RETAIL: EXPAND ACCESS TO POSTAL SERVICES.” If you do not confirm, please provide the correct caption.
- b. Please confirm that the first sentence of this section states: “In the *Transformation Plan* the Postal Service promised to provide customers more options and better access to its products and services in order to make more efficient use of its extensive retail network.” If you do not confirm, please provide the correct text.
- c. Please confirm that the second sentence of text in this section states: “The shifting demographics of postal customers, the changes in customer lifestyles and behaviors, and the rise of new technology all affect how the Postal Service should provide access to its products and services.” If you do not confirm, please provide the correct text.

RESPONSE

- a. That is how the section is captioned.
- b. That is how the first sentence reads.
- c. And that is how the second sentence reads.

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PB/USPS-T32-14. Please refer to Section I.B.3 of the *Strategic Transformation Plan 2006-2010* dated September 2005:

- a. Please confirm that the last sentence of the last paragraph on page 17 reads, "The Postal Service will also continue to expand its partnerships with retailers, making postage stamps available at more places than the 60,000 supermarkets, drug stores, and convenience stores where they are now sold." If you do not confirm, then please provide the correct text.
- b. Please provide data indicating how many retailers within each of the three categories identified currently sell postage stamps.
- c. How many retailers described in b. are located within one mile of a USPS owned or leased facility?
- d. Please explain how, in what ways, and in what locations the Postal Service plans to make postage stamps available at more places. How many more retail locations does the Postal Service wish to add to this partnership network?

RESPONSE

- a. That is how the sentence reads. However, the actual number of Stamps on Consignment locations is not 60,000. The actual number of Stamps on Consignment locations as of the end of June 2006 is 48,168.
- b. As of the end of June 2006, there were 303 retailers representing the aforementioned categories. Following is a breakdown for each category:
 - supermarkets/grocery stores – 203 participating retailers, representing 11,572 consignment locations where stamps are sold.
 - drug stores – 53 participating retailers, representing 9,631 consignment locations where stamps are sold.
 - convenience stores – 47 participating retailers, representing 1,811 consignment locations where stamps are sold.

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RESPONSE to PB/USPS-14 (continued):

- c. The Postal Service has not conducted the measurements necessary to respond to this question.

- d. The Postal Service plans to increase customer access to stamp purchases through expanding our presence in numerous nationwide retail channels. Currently the Stamps on Consignment program has representation in the following channels: supermarkets/grocery stores, drug stores, banks/credit unions (ATMs), convenience stores, mass market retailers, office supply retailers, military retailers and prisons. The Postal Service will continue to grow the number of participating retailers and retail channels through on-going market analysis and research of consumer behavior and purchasing patterns. The Postal Service has not established a set number of participating retailers or a set number of locations for the program.

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PB/USPS-T32-26. When did the Postal Service first offer Stamps Online?

RESPONSE

December 1998.

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PB/USPS-T32-27. How many single-piece First-Class Mail letter stamps were sold by Stamps Online in the Base Year?

RESPONSE

During the period between October 1, 2004 and September 30, 2005,

8,699,314 First-Class Mail Letter Stamps were sold by Stamps Online.

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PB/USPS-T32-28. How many single-piece First-Class Mail letter stamps were sold by Stamps Online in each of the five years before the Base Year?

RESPONSE

For the period between January 1, 2000 and September 30, 2004, 5,208,780

(please note this figure is for the time period that is less than five years) stamps

were sold by Stamps Online.

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PB/USPS-T32-29. How many single-piece First-Class Mail letter stamps will be sold by Stamps Online in the Test Year?

RESPONSE

Assuming a 20 percent increase over 2005, the Postal Service expects to sell 10.4 million stamps by Stamps Online in the FY 2008.

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PB/USPS-T32-30. When did the Postal Service first offer Stamps on Consignment?

RESPONSE

The Stamps on Consignment program has been in existence since approximately 1986.

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PB/USPS-T32-31. How many single-piece First-Class Mail letter stamps were sold by Stamps on Consignment in the Base Year?

RESPONSE

FY 2005 -- approximately 2,236,716,000.

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PB/USPS-T32-32. How many single-piece First-Class Mail letter stamps were sold by Stamps on Consignment in each of the five years before the Base Year?

RESPONSE

FY 2004 -- approximately 1,912,420,000.

FY 2003 -- approximately 1,974,808,000.

FY 2002 -- approximately 1,937,192,000.

FY 2001 -- approximately 1,019,910,000. This information reflects approximate sales amounts for the final seven months of the FY. A program supplier change occurred during this FY. Stamp sales information for the first five months is not available.

FY 2000 -- a different program supplier held the contract during this time period. Stamp sales information is not available.

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PB/USPS-T32-33. How many single-piece First-Class Mail letter stamps will be sold by Stamps on Consignment in the Test Year?

RESPONSE

No forecast has been developed.

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PB/USPS-T32-34. When did the Postal Service first offer stamps through Automated Teller Machines?

RESPONSE

ATM stamp sheets were first produced and made available for use in ATMs in 1989.

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PB/USPS-T32-35. How many single-piece First-Class Mail letter stamps were sold through ATMs in the Base Year?

RESPONSE

FY 2005 -- approximately 180,738,000.

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PB/USPS-T32-36. How many single-piece First-Class Mail letter stamps were sold through ATMs in each of the five years before the Base Year?

RESPONSE

FY 2004 -- approximately 217,838,000.

FY 2003 -- approximately 215,161,000.

FY 2002 -- approximately 201,898,000.

FY 2001 -- approximately 33,657,052. This information reflects approximate sales amounts for the final seven months of the FY. A program supplier change occurred during this FY. Stamp sales information for the first five months is not available.

FY 2000 -- a different program supplier held the contract during this time period.

Stamp sales information is not available.

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PB/USPS-T32-37. How many single-piece First-Class Mail letter stamps will be sold through ATMs in the Test Year?

RESPONSE

No forecast has been developed.

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PB/USPS-T32-41. How many single-piece First-Class Mail letter stamps will be sold through contract postal units in the Test Year?

RESPONSE

No forecast has been developed.

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PB/USPS-T32-42. Please refer to Section IV.B.2 of the *Strategic Transformation Plan 2006-2010* dated September 2005:

- a. Please confirm that the final sentence in the section entitled “Build Customer Awareness of New Forms of Access, states,” (on page 61) states that the Postal Service “will continue to place special emphasis on enhancing online and self-service capabilities to further reach out to customers where they live, work, and shop.” If you do not confirm, please provide the correct text.
- b. Beyond the activities and strategies referenced in the preceding questions, in what ways and through what channels does the Postal Service plan to expand access to postage stamps?
- c. What additional business volume will be created or shift away from Post Offices as a result? Please provide any supporting plans, analysis, or business case data.

RESPONSE

- a. This is an accurate transcription of the sentence.
- b. Through the test year, no other strategies and channels are being contemplated.
- c. No analysis has been performed that would project quantifiable results.

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PB/USPS-T32-43. Please refer to Section IV.B.2 of the *Strategic Transformation Plan 2006-2010* dated September 2005:

- a. Please confirm that the final sentence of the first paragraph on page 61, in the section entitled Build Customer Awareness of New Forms of Access, states, "The Postal Service's goal is to double the percent of retail transactions via alternate access channels to 40 percent by 2010." If you do not confirm, please provide the correct text.
- b. Please provide any business or marketing plans, year-by-year projections, specific awareness-raising activities, planned promotions or advertising, budgets, or other information describing how the Postal Service will achieve its stated goal.

RESPONSE

- a. That is what the sentence says.
- b. Any such plans are either still being developed or are still to be developed.