

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

POSTAL RATE AND FEE CHANGES, 2006

DOCKET NO. R2006-1

**RESPONSE OF WITNESS PURSLEY TO INTERROGATORY OF
THE UNITED STATES POSTAL SERVICE
USPS/POSTCOM-T2-1**

The Association for Postal Commerce and the Mailing and Fulfillment Service Association (herein collectively "PostCom") hereby provides the response of Witness Pursley to Postal Service interrogatory USPS/POSTCOM-T2- 1, filed September 29, 2006.

The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

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RESPONSES OF POSTCOM WITNESS PURSLEY TO INTERROGATORIES
OF THE UNITED STATES POSTAL SERVICE

USPS/POSTCOM-T2-1. Please refer to page 7 of your testimony where you discuss your proposal to increase the passthrough for the 5-digit automation flats presort discount to 100%. Please also refer to the Postal Service's proposed percentage increases for Standard Mail Regular shown in witness Kiefer's revised workbook WP-STDREG-R0621.XLS (USPS-LR-L-36), in the worksheets entitled Financial Summary and Percent Rate Changes.

- (a) Is it your understanding that the Postal Service has proposed an increase for 5-digit automation flats that is lower than the subclass average?
- (b) Is it your understanding that the Postal Service has proposed an increase for 3-digit automation flats that is higher than the subclass average?
- (c) Is it your understanding that, all else equal (including holding total revenue generated constant), a higher passthrough of the cost differential between 3-digit and 5-digit automation flats would lead to an even higher increase for 3-digit flats than that proposed by the Postal Service?

RESPONSE:

(a -b) The average rate increase in Standard Mail Regular is 9.6%, and that the overall average Postal Service increase is 8.5%, so the Postal Service has proposed (a) an increase for 5-digit automation flats that is lower than the subclass average and higher than the overall average increase, and (b) an increase for 3-digit automation flats that is higher than the subclass average.

(c) Assuming that is the case, it would provide a very strong incentive for co-mailing.