

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

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

Docket No. MC2006-3

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS AYUB  
TO QUESTIONS POSED BY CHAIRMAN OMAS  
AT THE HEARING ON NOVEMBER 9, 2006**

The United States Postal Service hereby provides the response of witness Ayub (USPS-T-1) to the questions posed by Chairman Omas at the hearing on November 9, 2006 (witness Bernstein). (Tr. 4/399-400).

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 17, 2006

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TO QUESTIONS POSED BY CHAIRMAN OMAS  
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**QUESTION:**

Chairman Omas: "Mr. Bernstein, I need some clarification. I would like to be sure that I understand the penalty provisions you discuss in your answer to Question 5(a) of the POIR.

If you don't know the answer just say so, but am I correct that the penalty for not meeting the 500 million piece requirement is optional; that is, the Postal Service may waive the penalty if it chooses?"

The Witness: "Chairman, I was not the one who answered 5(a). I answered 5(b), so perhaps I'm not the best one to answer your question there."

Chairman Omas: "Well, is there someone from the Postal Service that could get that answer to me? I would be most appreciative."

Mr. Heselton: "We will undertake to provide that answer, Mr. Chairman." (Tr. 4/399).

**RESPONSE:**

Article II, Paragraph J of the WMB NSA requires WMB to commit to mailing 90 percent of its total marketing mail volume via First-Class Mail or to increase its First-Class Mail marketing volume to 500 million pieces. If WMB fails to meet both of these requirements, it will be in breach of the terms of the contract and any relevant penalties will be assessed and termination proceedings may be initiated.

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**QUESTION:**

Chairman Omas: "Also I have one other question, and obviously I don't know that that was 5(b). I'm sure it's still 5(a). Also, am I correct that Washington Mutual will earn discounts for volumes above 450 million pieces which may in part offset that penalty?"

The Witness: "Again, first of all, I believe the threshold is 490 million."

Chairman Omas: "Okay. Well, 490 million."

The Witness: "Again, I think you are correct, but I am not the one who answered 5(a) so I probably should not be taken as the authority there."

Chairman Omas: "Okay. Can we get that?"

Mr. Heselton: "The Postal Service would be happy to provide you with the answer to that question also, Chairman Omas." (Tr. 4/399-400).

**RESPONSE:**

If WMB mails more than 490 million credit card solicitations via First-Class Mail, but mails less than either (a) 500 million credit card solicitations via First-Class Mail; or (b) 90 percent of its total credit card solicitation mail via First-Class Mail, then it would have failed to comply with Article II, Paragraph J of the WMB NSA. It would still be possible for WMB to earn discounts on that mail volume. However, as discussed in my response to Presiding Officer's Information Request No. 3, Question 4, the WMB would be liable for a penalty of \$250, 000, given the conditions described above. The Postal Service also has the option of terminating the Agreement.

## **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.

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