

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  
INTERROGATORIES TO UNITED STATES POSTAL SERVICE  
WITNESS MICHAEL K. PLUNKETT (OCA/USPS-T1-7)  
(August 5, 2005)

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Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests 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-T1-1. In PRC Op. MC2002-2, at para. 4036, the Commission stated:

The declining block rate feature requires an estimate of the baseline before rates mailing volume for comparison to the after rates mailing volume to determine whether the declining block rate feature has enticed new volume. The before rates volume has been referred to as the "anyhow volume" or the volume that Capital One would mail absent the NSA. Learning something about the declining block rate effect on volume further requires an assumption that other outside factors can be accounted for, or are not otherwise influencing volume.

- a. Please explain fully how the "Pricing Strategy" group has accounted for outside factors (other than the declining block rate) that might otherwise influence the volumes mailed by Bookspan.
- b. Please confirm that Bookspan would benefit from underestimating its volumes of solicitation letters for the period of the NSA. If you do not confirm, then please explain fully.
- c. Also confirm that one of the ways in which Bookspan would benefit from underestimating its volumes of solicitation letters would be to have discounts applied to volumes that it would have mailed anyway at undiscounted rates. If you do not confirm, then please explain fully.

OCA/USPS-T1-2. In PRC Op. MC2002-2, at para. 4039, the Commission advised the Postal Service to "to develop an improved testing methodology for use in the future" for measuring the effects on volumes of a declining block rate.

- a. Please describe in detail all Postal Service efforts to develop an improved testing methodology.
- b. How successful have such efforts been?
- c. What is the proof of success of these efforts? Please provide any such proof.

- d. Have you and witness Yorgey employed such an improved testing methodology in preparing the Docket No. MC2005-3 filing? If so, what is the testing methodology employed? If not, why not? Please answer each question contained in part d. of this interrogatory in full detail.

OCA/USPS-T1-3. Please describe all methods, techniques, sources, and reference materials used by the "Pricing Strategy" group to develop independent volume estimates for potential NSA partners.

- a. Please describe all methods, techniques, sources, and reference materials used by the "Pricing Strategy" group to corroborate volume estimates provided to the group by potential NSA partners.
- b. Please describe in detail all methods, techniques, sources, and reference materials used by the "Pricing Strategy" group to develop independent volume estimates for Bookspan for each of the three years of the NSA.
- c. Please provide all documents, spreadsheets, workpapers, calculations, and computations produced by the "Pricing Strategy" group to develop independent volume estimates for Bookspan for each of the three years of the NSA (or any other future time period).
- d. Please provide all documents, spreadsheets, workpapers, calculations, and computations produced by any other part of the Postal Service to develop independent volume estimates for Bookspan for each of the three years of the NSA (or any other future time period).
- e. Were any volume estimates for Bookspan obtained by the Postal Service from any entity outside of the Postal Service? If so, name this entity. If so, provide all

documents, spreadsheets, workpapers, calculations, and computations produced by any such entity to develop independent volume estimates for Bookspan for future time periods.

- f. Please describe in detail all methods, techniques, sources, and reference materials used by the “Pricing Strategy” group to corroborate volume estimates provided to the Postal Service by Bookspan for each of the three years of the NSA (or any other future time period).
- g. Please provide all documents, spreadsheets, workpapers, calculations, and computations produced by the “Pricing Strategy” group to corroborate volume estimates provided to the Postal Service by Bookspan for each of the three years of the NSA (or any other future time period).
- h. Please provide all documents, spreadsheets, workpapers, calculations, and computations produced by any other part of the Postal Service to corroborate volume estimates provided to the Postal Service by Bookspan for each of the three years of the NSA (or any other future time period).
- i. Was any entity outside the Postal Service (e.g., TNS Media Intelligence) used to corroborate the volume estimates presented by Bookspan in this proceeding? If so, name this entity. If so, provide all documents, spreadsheets, workpapers, calculations, and computations produced by any such entity to corroborate volume estimates provided by Bookspan for future time periods.

OCA/USPS-T1-4. Witness Yorgey testifies that: “The multiplier effect is not relied upon in estimating the financial impact of the NSA on postal finances.” USPS-T-2, n. 13.

She adds that: “The incentives will encourage Bookspan to mail additional solicitation

letters . . . .” Id. at 2. If the multiplier effect is not relied upon, and providing discounts is intended to stimulate the mailing of additional solicitation letters, why didn’t you recommend offering the type of discount proposed in this proceeding to any Standard Mailer to stimulate increased use of automatable Standard Mail letters?

- a. Why aren’t you recommending offering the type of discount proposed in this proceeding to any First-Class Mailer of automatable solicitation letters to stimulate increased use of First-Class letters?
- b. Please specify all of the characteristics of Bookspan that make it so unique as to warrant a discount that other mailers of Standard Mail and First-Class Mail are denied.

OCA/USPS-T1-5. Witness Yorgey states that: “An intended effect of this agreement is that the declining block rates may encourage Bookspan to increase its conversion of Standard Mail solicitation material prepared and claimed at nonletter rates to mailpieces prepared and claimed at letter-size rates.” USPS-T-2, n. 14.

- a. Please explain why the Postal Service views this as a desirable outcome.
- b. Is it correct that one of the reasons the Postal Service views this as desirable is that Standard Mail letters are lower in cost and higher in contribution than Standard Mail flats? USPS-T-2 at 12, lines 1 – 2. Please explain fully any negative answer.
- c. Since automatable Standard Mail letters are lower in cost and higher in contribution than Standard Mail flats, why do you not recommend comparable discounts for other Standard Mail flats to induce them to convert to automatable Standard Mail letters? Explain fully.

- d. Is it correct that First-Class Mail one-ounce flats are higher in cost and lower in contribution than one-ounce First-Class Mail automatable letters?
  - i. If so, then why don't you recommend offering discounts to First-Class Mail one-ounce flats to induce them to convert to an automatable letter format?
  - ii. If not, then explain fully.
- e. Please provide the average attributable cost of a one-ounce First-Class flat.
- f. Please provide the average attributable cost of an automatable one-ounce First-Class letter.
- g. Please provide the average contribution to institutional costs for a one-ounce First-Class flat.
- h. Please provide the average contribution to institutional costs for an automatable one-ounce First-Class letter.
- i. For figures provided in response to parts e. through h. above, include any calculations, as well as citations to source materials.
- j. As a general matter, what are the advantages to the Postal Service of trying to induce conversion of higher cost, lower contribution flats to automatable letter format through NSAs, which involve high administrative, litigation, and transaction costs, as opposed to rectifying the current uneconomic rate structure through a straightforward change in prices that send correct price signals?

OCA/USPS-T1-6. Please describe in detail all of the research activities performed by the "Pricing Strategy" group to familiarize itself with the book club industry. Please describe in detail all of the research activities performed by the "Pricing Strategy" group

to familiarize itself with industries for “analogous club[s].” (“Analogous club” is a phrase used in proposed DMCS section 620.11).

OCA/USPS-T1-7. Proposed DMCS section 620.12 contains the phrase “customers demonstrating a similar or greater multiplier effect.”

- a. Please define Bookspan’s multiplier effect.
- b. What would an analogous club have to demonstrate for the Postal Service to find that such a club had a multiplier effect:
  - i. equal to Bookspan’s multiplier effect?
  - ii. greater than Bookspan’s multiplier effect?
  - iii. less than Bookspan’s multiplier effect?
- c. Is this evaluation of the multiplier effect intended to be (1) quantitative or (2) qualitative? Explain fully.
- d. Please confirm that any mailer whose primary use of the mail is regular billing, e.g., a monthly bill is mailed to each customer, would demonstrate a “multiplier effect” if additional solicitation pieces produced new customers? If you do not confirm, then please explain.