

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

RATE AND SERVICE CHANGES TO IMPLEMENT
FUNCTIONALLY EQUIVALENT NEGOTIATED
SERVICE AGREEMENT WITH BRADFORD GROUP

Docket No. MC2007-4

RESPONSES OF POSTAL SERVICE WITNESS PARR
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-1-4)
(August 24, 2007)

The United States Postal Service hereby provides the responses of witness Parr to the following interrogatories of the Office of the Consumer Advocate, filed on August 10, 2007: OCA/USPS-T1-1-4.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 24, 2007

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PARR
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-1. Please refer to your testimony at page 7, lines 5-8. Also, please refer to your testimony at page 10, lines 14-15.

- a. Please confirm that the Standard Mail letter volume cap of 195 million exceeds the Bradford Group's actual letter volumes of 177.6 million, 189.0 million and 169.5 million for fiscal years 2004, 2005 and 2006, respectively. If you do not confirm, please explain.
- b. Given the continuing expected "downward pressure" on the Bradford Group's Standard Mail letter volumes, please explain why the Postal Service agreed to a volume cap that exceeded the Bradford Group's actual letter volumes for Fiscal Years 2004, 2005 and 2006.

RESPONSE:

- a. Confirmed.
- b. The downward pressure on letter volume is only expected to continue in the absence of an incentive to increase letter volume. The volume cap is intended to mitigate any risk to the Postal Service during the NSA.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PARR
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-2. Please refer to your testimony at page 7, lines 5-8. Also, please refer to your testimony at page 10, lines 14-15.

- a. Please confirm that the Standard Mail flats volume cap of 73.5 million in Year 1, 74.5 million in Year 2, and 77.0 million in Year 3 of the NSA exceeds the Bradford Group's actual flats volumes of 50.7 million, 52.6 million and 57.0 million for fiscal years 2004, 2005 and 2006, respectively. If you do not confirm, please explain.
- b. Given the continuing expected "downward pressure" on the Bradford Group's Standard Mail flats volumes, please explain why the Postal Service agreed to a volume cap for Years 1, 2 and 3 that exceeded the actual flats volumes for Fiscal Years 2004, 2005 and 2006.

RESPONSE:

- a. Confirmed.
- b. The downward pressure on flats volume is only expected to continue in the absence of an incentive to increase flats volume. The volume cap is intended to mitigate any risk to the Postal Service during the NSA.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PARR
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-3. Please refer to your testimony, Appendix E, Proposed Data Collection Plan.

- a. Please identify those enumerated items in your data collection plan (DCP) that are included in the DCP recommended by the Commission for the Bookspan NSA. Please explain the rationale for including any enumerated items in your DCP that are *not* included in the DCP recommended by the Commission for the Bookspan NSA.
- b. Please identify those enumerated items in the DCP recommended by the Commission for the Bookspan NSA that are not in your data collection plan. Please explain the rationale for excluding those enumerated items in the DCP recommended by the Commission for the Bookspan NSA that are not in your data collection plan.

RESPONSE:

- a. The items below are enumerated items in both the DCP recommended by the Commission for the Bookspan NSA and the Bradford Group NSA:
 1. The volume of solicitation Standard Mail letter-size and Flat-size (nonletter) by rate category in eligible account;
 2. The discounts paid to Bradford Group for letter-shape and flat-shape solicitation Standard Mail by incremental volume block;
 3. Monthly estimates of the amount of time spend on compliance activity and a description of the activities performed.

There are no items in the Bradford Group DCP which were not included in the DCP recommended by the Commission for the Bookspan NSA.

- b. Items 4 – 8 in the DCP recommended by the Commission for the Bookspan NSA were not included in the list of enumerated items for the Bradford Group DCP in my testimony. Those items were inadvertently excluded, and it was my intention to follow those items for the Bradford Group NSA. Appropriate errata to my testimony will be filed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PARR
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-4. Please refer to your testimony at page 3, Table 1, Declining Block Rate Structure. Prior to concluding agreement on the Declining Block Rate Structure, Table 1, did the Postal Service develop an own-price elasticity for the Bradford Group's Standard Mail letters and flats? If so, please provide the own-price elasticity for the Bradford Group's Standard Mail letters and flats, and explain and show all calculations used to develop such own-price elasticities. If not, please explain.

RESPONSE:

Given that I have three years of data for Bradford Group with only one price change during those years, the development of an own-price elasticity specific to the Bradford Group would result in an unreliable estimate. Therefore, the Postal Service did not develop an own-price elasticity for Bradford Group Standard Mail letters and flats.