

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Rate and Service Changes to Implement)
Functionally Equivalent Negotiated Service) Docket No. MC2004-3
Agreement with Bank One Corporation)

ERRATA TO
OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS MICHAEL K. PLUNKETT (OCA/USPS-T1-36-45)
August 5, 2004

On August 5, 2003, the OCA filed interrogatories OCA/USPS-T1-36-45 directed to witness Plunkett. Interrogatory OCA/USPS-T1-38 contains errors in parts (n) and (o). Those two parts should read as follows.

- n. Do you agree that if, in addition to the above 103,368,725 pieces, Bank One mails 1.2 discount-induced pieces for every exogenously-generated piece, the Postal Service obtains \$0.084 in new contribution and \$0.0159 in cost savings while paying \$0.099 in discounts, for a net gain of \$0.0009? If you do not agree, please explain.
- o. Do you agree that if Bank One mails 103,368,726 pieces of exogenously-generated solicitation mail and only 1.2 pieces of discount-induced solicitation mail, the Postal Service makes money? If you do not agree, please explain.

The entire text of interrogatory OCA/USPS-T1-38, as corrected, is attached.

Respectfully submitted,

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OCA/USPS-T1-38. This is a hypothetical question. Please make the following assumptions. (1) Unit cost saving for solicitation letters is \$0.0159. (2) Unit cost saving for solicitation flats is \$0.0573. (3) Pre-NSA customer volume is 506,650,000. (4) Pre-NSA solicitation letter-shaped volume is 29,387,000. (5) Pre-NSA solicitation flat-shaped volume is 35,043,000. (6) The difference in contribution between Bank One's First Class and Standard mail is \$0.07. (7) There is no quarterly settlement of discounts earned by Bank One. (8) Discount-induced volume does not appear until Bank One mails 103,368,725 solicitation pieces.

- a. Do you agree that if Bank One enters 500,000,000 customer pieces in Year One, it will receive no discounts and generate no cost savings? If you do not agree, please explain.
- b. Do you agree that if Bank One enters, in addition to the above 500,000,000 pieces, 35,000,000 solicitation flats, it will receive no discounts but will generate cost savings of \$2,005,500? If you do not agree, please explain.
- c. Do you agree that if Bank One enters, in addition to the above 535,000,000 pieces, 43,000 solicitation flats, it will receive discounts of \$1075 (because the threshold has been passed and up to 35,000,000 flats are eligible for discounts) and generate additional cost savings of \$2464, for a net total benefit to the Postal Service of \$2,006,889? If you do not agree, please explain.
- d. Do you agree that if Bank One enters, in addition to the above 535,043,000 pieces, 6,650,000 customer pieces, it will receive additional discounts of \$166,250 and generate no additional cost savings, for a net total benefit to the Postal Service of \$1,840,639? If you do not agree, please explain.

- e. Do you agree that if Bank One enters, in addition to the above 541,693,000 pieces, 18,307,000 solicitation letter-shaped pieces, it will receive additional discounts of \$467,675 and generate additional cost savings of \$291,081 , for a net total benefit to the Postal Service of \$1,674,045? If you do not agree, please explain.
- f. Do you agree that if Bank One enters, in addition to the above 560,000,000 pieces, 11,080,000 solicitation letter-shaped pieces, it will receive additional discounts of \$332,400 and generate additional cost savings of \$176,172, for a net total benefit to the Postal Service of \$1,517,817? If you do not agree, please explain.
- g. Do you agree that if Bank One enters, in addition to the above 571,080,000 pieces, 13,920,000 exogenously-generated solicitation letter-shaped pieces, it will receive additional discounts of \$417,600 and generate additional cost savings of \$221,328, for a net total benefit to the Postal Service of \$1,321,545? If you do not agree, please explain.
- h. Do you agree that if Bank One enters, in addition to the above 585,000,000 pieces, 25,000,000 exogenously-generated solicitation letter-shaped pieces, it will receive additional discounts of \$875,000 and generate additional cost savings of \$397,500, for a net total benefit to the Postal Service of \$844,045? If you do not agree, please explain.
- i. Do you agree that if Bank One enters, in addition to the above 610,000,000 pieces, 35,000,000 exogenously-generated solicitation letter-shaped pieces, it will receive additional discounts of \$1,400,000 and generate additional cost

- savings of \$556,500, for a net total benefit to the Postal Service of \$545? If you do not agree, please explain.
- j. Do you agree that if Bank One enters, in addition to the above 610,000,000 pieces, 18,725 exogenously-generated solicitation letter-shaped pieces, it will receive additional discounts of \$843 and generate additional cost savings of \$298, for a net total benefit to the Postal Service of \$0? If you do not agree, please explain.
- k. Do you agree that the financial consequences to the Postal Service of Bank One's entering the above 610,018,725 pieces are independent of the order in which the various types of mail are entered? If you do not agree, please explain.
- l. Do you agree that so long as (1) total Bank One customer volume in Year One is 506,650,000 pieces and (2) total Bank One solicitation volume in Year One is less than 103,368,725 pieces, the Postal Service makes money on the NSA **even if** no discount-induced volume appears? If you do not agree, please explain.
- m. Do you agree that if the NSA discounts induce Bank One to mail one new piece of solicitation mail, in addition to the above 103,368,725 pieces, the Postal Service obtains \$0.07 in new contribution while paying \$0.045 in discounts, for a net gain of \$0.025? If you do not agree, please explain.
- n. Do you agree that if, in addition to the above 103,368,725 pieces, Bank One mails 1.2 discount-induced pieces for every exogenously-generated piece, the Postal Service obtains \$0.084 in new contribution and \$0.0159 in cost savings

while paying \$0.099 in discounts, for a net gain of \$0.0009? If you do not agree, please explain.

- o. Do you agree that if Bank One mails 103,368,726 pieces of exogenously-generated solicitation mail and only 1.2 pieces of discount-induced solicitation mail, the Postal Service makes money? If you do not agree, please explain.
- p. What is the probability that the Postal Service loses money on the Bank One NSA?