

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

**REVISED RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS YORGEY  
(OCA/USPS-T2-6)**

The United States Postal Service hereby provides the revised response of witness Plunkett to the interrogatory OCA/USPS-T2-6, originally filed on August 10, 2005. This revision includes an electronic spreadsheet calculating the financial effect of the multiplier effect.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 18, 2005

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**OCA/USPS-T2-6.** Please refer to the Request at Attachment A, Section 620.12 of the proposed Domestic Mail Classification Schedule (DMCS).

- a. For each year of the Bookspan NSA, please quantify the baseline multiplier effect to be used to evaluate functionally equivalent NSAs.
- b. Please explain how the Postal Service intends to evaluate the functional equivalency to the Bookspan NSA of any proposed NSAs “involving declining block rates of Standard Mail letter solicitations for book or analogous club memberships” in the absence of quantifying the baseline multiplier effect.
- c. Does the Postal Service have rules, or does it intend to propose rules, to implement proposed Section 620.12 that are analogous to DMM § 709.1.0, General Requirements for Negotiated Service Agreements (NSAs). Please explain.

**RESPONSE:**

a.-c. The baseline multiplier effect is a defining characteristic of the Bookspan NSA, and the Postal Service considers the existence of a multiplier effect to be a necessary precondition for customers seeking to be candidates for functionally equivalent NSAs. However, the multiplier effect must be taken together with the other customer specific variables that the Postal Service must consider when negotiating with an NSA customer. Quantifying a specific required multiplier effect would create a binding constraint that would impede future negotiations and might exclude otherwise worthy customers from consideration. Given that all functionally equivalent agreements must be litigated prior to implementation, adequate opportunity for review and analysis is ensured.

For information purposes, the Postal Service is providing a spreadsheet which can be used to calculate the financial impact of the multiplier effect, using volumes which have been provided by Bookspan, including those filed under protective conditions. The section of the spreadsheet where those numbers can be inserted to

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obtain results is highlighted. The multiplier effect results in increased contribution to the Postal Service's costs of approximately \$2.8 million for the three years of the NSA.

In general, to be considered functionally equivalent, a mailer would need to send Standard Mail letters for the purpose of acquiring customers for programs involving recurring mailings offering merchandise. Such programs would typically be continuity or negative option memberships of indefinite duration, with the mailer sending a continuing series of marketing mail at least 6 times per year, and using at least one other subclass for merchandise fulfillment.

## **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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