

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

**UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO OFFICE OF CONSUMER ADVOCATE WITNESS CALLOW
(USPS/OCA-T1—5-9)**

Pursuant to rules 25 and 26 of the Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to Office of Consumer Advocate witness Callow: USPS/OCA-T1—5-9.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 28, 2006

USPS/OCA-T1—5. Please refer to page 25, lines 11 to 16, and page 26, lines 1 to 3, of your testimony where you estimate the USPS's investment costs, annual administrative costs, negotiation costs, and litigation costs associated with the Washington Mutual NSA.

- a. Please confirm that Washington Mutual Bank will incur similar costs associated with the NSA. If you cannot confirm, please explain.
- b. Have you attempted to estimate or quantify the costs of the NSA to Washington Mutual? If yes, please provide the results of your analysis.

USPS/OCA-T1—6. Please refer to page 24, lines 17 to 19, of your testimony. You state that "if Washington Mutual mails First-Class Mail solicitation letters exceeding 550 million, 549 million, and 548 million in Years 1, 2, and 3, respectively, the agreement is not worthwhile as a financial proposition."

- a. Please confirm that the volume threshold you identify in your testimony for Year 1 of the Washington Mutual NSA is 550 million First-Class Mail solicitation pieces. If you cannot confirm, please explain.
- b. If Washington Mutual fails to mail more than 550 million First-Class Mail solicitation pieces during Year 1 of the agreement, can it be inferred that Washington Mutual will receive no benefit from the NSA? If no, please identify the benefits Washington Mutual may receive under the NSA if it fails to mail more than 550 million First-Class Mail solicitation pieces during Year 1 of the agreement.

USPS/OCA-T1—7. Please refer to page 15, lines 14 to 16, of your testimony. You state, "I therefore apply the Panzar analysis to Washington Mutual's forecast volumes utilizing a price-difference, rather than an own-price, elasticity of demand."

- a. Please explain the meaning of the term "price-difference elasticity" as you use it in your testimony.
- b. Do you agree with the proposition that every individual mailer has a price-difference of elasticity of demand of -0.1115? If no, please explain.
- c. Did you consider or evaluate the Panzar test using different estimates of price-difference of elasticity of demand? If yes, please provide the results of your analysis.

USPS/OCA-T1—8. Please refer to page 16, lines 8 and 9, of your testimony. You state that neither "the Postal Service nor Washington Mutual, however, supplied a price-difference (or own-price) elasticity specific to Washington Mutual in this proceeding."

- a. Did you attempt to estimate Washington Mutual's cross-price elasticity? If yes, please provide the results of your analysis.
- b. Did you consider how cross-price elasticity could be used in the development of the Panzar test? If yes, please provide the results of your analysis.

- c. If you were to replicate your analysis under the Panzar test using the USPS's average own-price elasticity for First-Class Mail and Standard Mail, what would be the results of your analysis?

USPS/OCA-T1—9. Please refer to page 16, lines 10 to 12, of your testimony. You state, "I use the 'Average Standard Regular Letters Discount (relative to First-Class)' developed by witness Thress (USPS-T-7) in Docket No. R2006-1."

- a. Please explain why you decided to use the Average Standard Regular Letters Discount for developing the Panzar test.
- b. Did you consider using the average First-Class Mail and Standard Mail own-price elasticity and cross-price elasticity for developing the Panzar test? If yes, please provide the results of your analysis.

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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