

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

RATE AND SERVICE CHANGES TO IMPLEMENT  
BASELINE NEGOTIATED SERVICE AGREEMENT  
WITH BANK OF AMERICA CORPORATION

Docket No. MC2007-1

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS AYUB TO  
INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION  
(APWU/USPS-T1-2-3)  
(April 13, 2007)**

The United States Postal Service hereby provides the response of witness Ayub to the following interrogatories of the American Postal Workers Union: APWU/USPS-T1-2-3, filed on March 27, 2007. The interrogatories are stated verbatim and are followed by the response. The Postal Service's response to APWU/USPS-T1-1 will be forthcoming.

UNITED STATES POSTAL SERVICE

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**APWU/USPS-T1-2.** Are the calculated savings from mail processing improvements shown in your worksheets dependant on the Postal Service's actual acceptance rate being equal to the acceptance rates shown in R2006-1 USPS-LR-L-110? Please explain your answer.

**RESPONSE:**

The calculated savings as shown in my worksheets are dependant on the Postal Service's actual acceptance rates as identified in Docket No. R2006-1, USPS LR-L-110, for the purpose of estimating the value of incremental improvements in mail processing rates. The acceptance rates from USPS-LR-L-110 were used to develop the baseline from which improvements could be measured. If the USPS acceptance rates are higher than identified in USPS-LR-L-110, the savings generated from improvements in the acceptance rate would be lower than those estimated in my model—all other things being equal.

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**APWU/USPS-T1-3.** If Bank of America's current (unmeasured) acceptance rates are higher than the 96.8% and 96.9% baseline acceptance rates shown in the contract, will the Postal Service experience any actual savings from that portion of this contract over the "improvement" zone between the baseline and Bank of America's actual rate?

### RESPONSE:

The NSA provides incentives for certain results, leaving it to BAC to determine how it achieves those results. Additionally, the NSA mandates certain activities that will lead to savings to the Postal Service. For example, among other things, the NSA requires BAC to undertake activities to improve address hygiene and utilize DPV that will lead to delivery savings to the Postal Service. Consequently, should BAC's current acceptance rates turn out to be higher than the baseline rates contained in the NSA, the savings from mail processing improvements might be lower than contemplated, but the NSA may provide savings to the Postal Service.

BAC will incur costs to undertake such activities, but presumably is willing to absorb them to obtain the incentive for improved acceptance rates. Because this NSA does not provide specific incentives to BAC to undertake these activities, the incentives in this NSA cannot be associated exclusively with particular activities and results. Furthermore, no such direct association is necessary. It suffices that the *aggregate* benefits of all kind received by the Postal Service under the NSA exceed the *aggregate* costs incurred by the Service in return. See *Capital One NSA*, MC2002-2 Op. & Rec. Decis. at ¶¶ 3058, 8006, 8010 (holding that the relevant dimension of profitability is the overall profitability of the NSA as a whole, not any individual component); Order No. 1391, *Negotiated Service Agreements*, 69 Fed. Reg. 7574, 7577-78, 7580 (2004) (same); *Discover Financial Services NSA*, MC2004-4 Op. & Rec. Decis. at 52 (same).

## **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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