

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Rate and Service Changes to  
Implement Baseline Negotiated  
Service Agreement with Bookspan

Docket No. MC2005-3

PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

(Issued November 2, 2005)

The proponents are requested to provide the information described below to assist in developing a record for the consideration of their request. In order to facilitate inclusion of the requested material in the evidentiary record, either the Postal Service or Bookspan, as appropriate, is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers. The answers are to be provided by November 9, 2005.

1. At the hearings on October 19, 2005, the Presiding Officer asked witness Yorgey to examine an OCA cross-examination exhibit, and if necessary, provide corrected information. Tr. 2/202-3. Witness Yorgey provided a corrected version of the exhibit, including an explanation of her corrections. Her response includes a further statement regarding the applicability of the exhibit to the purpose for which OCA intended it.

The OCA exhibit purported to measure the volume response to changes in prices. In order to measure such a response accurately, all things, not just the letter mail mix as represented by the billing determinants, must be held constant. Further information is needed from Bookspan in order to confirm whether witness Epp's estimates cited in the exhibit represent such a scenario of *ceteris paribus*.<sup>1</sup>

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<sup>1</sup> Response of United States Postal Service Witness Yorgey to Request of Presiding Officer at Hearings, October 28, 2005.

Bookspan witness Epp provides a further response, which addresses the issue raised by Yorgey.<sup>2</sup> In his response, he states that, “As Witness Yorgey suggests, the assumptions underlying these letter volume estimates under different scenarios are obviously not the same.” After describing the effects of what might be called a cross-elasticity between letters and flats, he goes on to identify several non-price factors that influence letter mail volume. This response indicates that Epp’s volume forecasts assume differences between scenarios other than the implementation of the R2005-1 proposed rate increase and/or the implementation of the proposed NSA, as appropriate.

Please provide revised volume estimates that hold all factors other than the effects of Docket No. R2005-1, and/or the effects of the NSA (as appropriate to each scenario) constant. The Postal Service is also directed to revise USPS-T-2 Appendix A to incorporate before and after rates volume forecasts that assume all factors except the implementation of the NSA remain constant.

2. The proposed DMCS language included in the Request defines eligible mail in terms that do not distinguish between Standard Regular and Standard ECR.

620.1 Eligible Standard Mail

620.11 Bookspan

Eligible Standard Mail under this section is defined as letter shaped pieces sent by Bookspan for the purpose of soliciting book club membership of persons who are not current subscribers to the book club or clubs Bookspan is promoting in the mailing or to book club members whose membership is expiring. Such pieces may be sent by Bookspan, by entities in which Bookspan holds controlling shares, or by their vendors on their behalf. Such letters may include promotions of Bookspan’s strategic business alliances.

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<sup>2</sup> Response of Witness Epp to Partially Redirected Request of the Presiding Officer at Hearings, October 28, 2005.

620.12 Other Mailers

Functionally equivalent NSAs, involving declining block rates for Standard Mail letter solicitations for book or analogous club memberships, may be entered into with other customers demonstrating a similar or greater multiplier effect, as specified by the Postal Service, and implemented pursuant to proceedings under Chapter 36 of Title 39, of the United States Code.

This contrasts with statements made by witness Plunkett during cross-examination.

Q And does your reference to standard mail in line five [of page four of your testimony] include reference to both standard regular and standard ACR [sic]?

A In line five I did not make a distinction between the two. **Of course our agreement with Bookspan is standard mail regular.** But my statement was more general in nature and I was discussing standard mail.

Q Bookspan does send mail at standard ECR, does it not?

A That's correct, they do.

Tr. 2/293-94 (emphasis added).

A similar discussion ensued regarding the definition of functional equivalence.

Q I notice that the proposed EMCS [sic] language refers to standard mail letter solicitations. In your answer to interrogatory eight, you stated that you would expect any mailer qualifying as functionally equivalent would be producing standard mail regular letters for the purpose of acquiring customers and you made a similar response to ValPak one.

**I don't see the word 'regular' in the DMCS section. Is it your intent to limit functionally equivalent NSAs to standard regular solicitations?**

....

Q Okay.

**As a policy witness here, would the Postal Service oppose or support inserting the word 'regular' in this language?**

A I'd have to take that up with the people who worked in crafting this. I'm at a loss to think of a reason why we would object strongly. I haven't really given it much thought.

Tr. 2/325-26 (emphasis added).

- a. The proponents are requested to confer and jointly clarify to the Commission their understanding of the intent of the terms to which they agreed. Did they intend to restrict eligible mail to Standard Regular letters, or did they intend for Standard ECR letters to also be eligible?
  - b. Do Bookspan witness Epp's volume forecasts include Standard Regular and Standard ECR, or just Standard Regular?
  - c. If necessary, please provide a revised version of USPS-T-2 Appendix A to reflect the response to part a.
3. Please identify the version of the Postal Service's financial analysis (originally filed as USPS-T-2 Appendix A) that reflects the rates included in the Commission's R2005-1 Opinion and Recommended Decision, or provide one if necessary.

George Omas  
Presiding Officer