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POSTAL RATE AND FEE CHANGES, 2001 :

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Docket No. R2001-1

AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF  
PRESORT MAILERS JOINT INTERROGATORIES AND REQUEST FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL WITNESS PETER  
BERNSTEIN (USPS T10) ABA&NAPM/USPS (T10-1-7)

(November 26, 2001)

Pursuant to Sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the American Bankers Association and the National Association of Presort Mailers hereby submit these joint interrogatories and requests for production of documents. If the witness to whom an interrogatory is directed is unable to answer the interrogatory or produce the requested documents and another person is able to do so, the interrogatory or request should be referred to such person.

If data requested are not available in the exact format or level of detail requested, any data available in (1) substantially similar format or level of detail or (2) susceptible to being converted to the requested format and detail should be provided.

Responses to requests for explanations or the derivation of numbers should be accompanied by workpapers. The terms "workpapers" shall include all backup material whether prepared manually, mechanically or electronically, and without consideration to the type of paper used. Such workpapers should, if necessary, be prepared as part of the witness's responses and should "show what the numbers were, what numbers were added to other numbers to achieve a final result." The witness should "prepare sufficient

workpapers so that it is possible for a third party to understand how he took data from a primary source and developed that data to achieve his final results." Docket No. R83-1, Tr. 10/2795-96.

**ABA&NAPM/USPS-T10-1** Starting on page 6 of your testimony, you discuss past efforts you or Dr. Tolley at RCF have engaged in with respect to technological diversion.

- a. Why did the separate demand equations for workshared mail from single piece that you refer to as part of the effort in R97-1 (page 8, lines 6-11) not continue as your analytical method for R2000-1?
- b. Why have you re-introduced that decomposition in R2001-1?
- c. Why in this discussion have you not mentioned the results contained in LR-179 from R2000-1, the work RCF did for the GAO study?
- d. Please confirm that the work referenced in c. above showed strong diversion of workshared letter mail, not just single piece mail, in the volume models that were projected out for several years beyond year 2000.
- e. Please confirm that the GAO study in which the RCF volume projections appear is based on the following environment from which RCF was to render its projections. "Notably, the combination of consumer movement to alternative bill payment methods and the consolidation in the financial sector would reduce the number of bills, statements and payments in the mail stream." (GAO/T-GGD-00-2, page 5).
- f. Please confirm that this scenario was based on a USPS scenario for the next decade.

**ABA&NAPM/USPS-T10-2** You spend considerable time discussing "technological diversion" methods that do not seem to have yet developed serious competitive consequences for the Postal Service, and seek to explain why they have not, e.g. EBPP or online banking. You hardly devote any time to the current technology that does appear to be diverting substantial amounts of mail volume, Automatic Funds Transfer ("AFT"), to which you devote only 4 lines in your testimony at page 24, lines 8-12.

- a. Please confirm that of your "sub-total technological share" of methods used to pay household bills (Table 4), two thirds comes from AFT.
- b. Why in your view has AFT usage grown from 16.7% of the Household Diary sample in 1995 to 33% in 2000?
- c. How, if at all, is this competitive substitute explicitly accounted for in estimating demand elasticities for FCM workshared letters?
- d. Has the Postal Service done any future projections of diversion from AFT? If not, why not? If so, please provide a copy of all such studies.

- e. Has the Postal Service explored competitive (including technological) responses to the acceleration in diversion from AFT? If not, why not? If so, please provide a copy of all such plans, studies, etc.

**ABA&NAPM/USPS-T10-3** Using your terminology, please confirm that the “incremental diversion” from AFT is now large “relative to cumulative diversion.”

**ABA&NAPM/USPS-T10-4** Please confirm that between 1998 and 2000, the growth in technological diversion from FCM bill payments (+4.45, from bottom row of Table 4, page 20) was greater than the diversion of all advertising, including direct mail, to the Internet (2.6%, from Table 11, page 46).

**ABA&NAPM/USPS-T10-5** Referencing your Table 11, on page 47, lines 3 and 4, you argue that much of the Internet-induced diversion of advertising has come from direct mail.

- a. Please confirm from your table since 1995, as much ad diversion to the Internet has come from newspapers as from direct mail.
- b. Please confirm that even more diversion from broadcast TV has been induced by the Internet than for direct mail since 1995, using the method of looking at your table 11 to judge such.

**ABA&NAPM/USPS-T10-6**

- a. For rate making purposes, please confirm that the letters subclass for FCM includes both single piece and workshared letters.
- b. Please re-calculate Table 2 on page 54 at the FCM letters subclass level, i.e. “total First Class letters”.

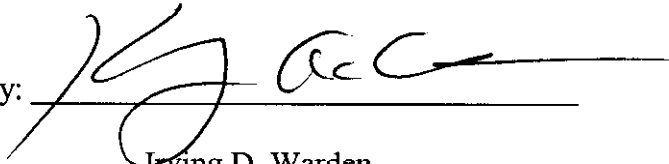
**ABA&NAPM/USPS-T10-7** You assert on page 70, lines 1-3, that reduced contribution from technological diversion requires rate increases.

- a. Please confirm this assertion assumes away the alternative possibility of reducing costs.
- b. Please confirm that the Postal Service has raised FCM single piece rates twice this year alone already, once in January and again (for extra ounces) in July.
- c. Please confirm that preliminary data for AP’s 1 and 2 for current PFY show a tremendous drop off in advertising mail and priority mail volumes; and please confirm that these are factors, whatever their cause, which also cause reduced contribution and either require rate increases or cost cuts.

Respectfully submitted,

AMERICAN BANKERS ASSOCIATION  
NATIONAL ASSOCIATION OF PRESORT  
MAILERS

By: \_\_\_\_\_



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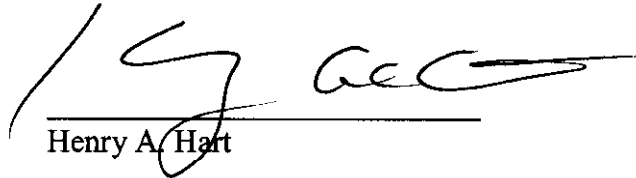
Counsel for  
American Banker Association

Date: November 26, 2001

Washington, D.C.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the instant document on all  
participants of record in this proceeding in accordance with Section 12 of the Rules of  
Practice.

  
Henry A. Hart

November 26, 2001