

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

EXPERIMENTAL CHANGES TO IMPLEMENT
CAPITAL ONE NSA

Docket No. MC2002-2

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS PLUNKETT
OCA/USPS-T2-19

The United States Postal Service hereby provides its response to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-T2-19, filed on October 21, 2003, and redirected from witness Plunkett.

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 31, 2002

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OCA/USPS-T2-19. Please refer to your response to OCA/USPS-T2-9(a), where it states that the agreement “was negotiated between both parties and therefore must be believed by each to benefit its own interests.”

- (a) Is it fair to conclude that any finalized Negotiated Service Agreement (NSA) between any mailer and the Postal Service is beneficial to the Postal Service?
- (b) What incentives are there on the part of any Postal Service negotiator(s) to conclude an NSA that is in the financial interests of the Postal Service?
- (c) If the NSA is conclusively beneficial to the Postal Service, what is the purpose of witness Crum’s testimony?

RESPONSE:

The previous answer was not meant to imply that the successful negotiation of agreement terms for any NSA would, by itself, constitute economic justification for a rate or classification proposal embodied in the agreement.

Rather, the answer merely pointed out that the agreement represents an acceptable balance of interests between the NSA partners that benefits both.

That balance, furthermore, is founded on a determination by each partner that the NSA meets its financial objectives. For the Postal Service, such objectives include its statutory responsibilities to establish rates that reflect the policies of the Act.

This conclusion does not substitute for an overall evaluation of the financial merits of the NSA when it constitutes the basis for a rate and classification change, but it reinforces other reasoning supporting a favorable recommendation. In this regard, the answer also discusses the overall context in which the proposals should be assessed. That context involves the positive contributions that each element of the agreement makes, including increased

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volume, lower costs, increased contribution, and its beneficial effect on the cost burdens of all mailers.

To the extent that this interrogatory was intended to inquire into the process by which the Postal Service negotiates and executes an NSA, and the expectations and beliefs that support an NSA that is presented to the Commission for review in the form of a request for classification changes, those considerations reinforce the overall conclusion. It is fair to state that by executing the NSA, and by obtaining the approval of senior management and the Board of Governors, the Postal Service believes the NSA will prove beneficial in light of the Postal Service's statutory responsibilities, which must be presumed to guide the decisions to adopt the NSA and pursue these proposals. Moreover, the act of seeking a favorable recommended decision from the Commission itself embodies a request for the Commission's concurrence that the NSA comports with the Postal Reorganization Act, and also implicitly that it is good for the Postal Service.

Admittedly, the foregoing assessment is not unqualified. Any determination that the NSA is "conclusively beneficial" to the Postal Service can only constitute an opinion at this time. We do not and can not currently know whether the volume, revenue and behavioral projections will come to pass. For that matter, the Commission has yet to complete the exercise of its statutory obligations, which adds another level of uncertainty to whether current expectations will ultimately mature into an *ex post* conclusion that the NSA was good for the Postal Service.

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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