

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Rate and Service Changes to Implement)
Functionally Equivalent Negotiated Service)
Agreement with Bank One Corporation)

Docket No. MC2004-3

OFFICE OF THE CONSUMER ADVOCATE
FOLLOW-UP INTERROGATORY TO UNITED STATES POSTAL SERVICE
WITNESS MICHAEL K. PLUNKETT (OCA/USPS-T1-48)
August 9, 2004

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits an interrogatory and request for production of documents. Instructions included with OCA interrogatories OCA/BOC-T1-1-10, dated June 28, 2004, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T1-48. Please refer to your response to OCA/USPS-T1-30(b) and (e), and your response to POIR No. 2, Question 5, in Docket No. MC2002-2, which states

Once discounts intended to influence mailer behavior are established, it is not possible to “observe” what mailer behavior would have been without such discounts.

- a. Your response to part (b) states

Confirmed, although to the extent that one compares AR and BR volumes during the same period, exogenous impacts could be considered identical such that any difference between AR and BR volumes would be the result of a difference in postage prices.

Please confirm that it is not possible to know the effect of exogenous variables on a mailer’s BR volumes after price discounts are offered. If you do not confirm, please explain.

- b. Your response to part (e) states

If, in the unlikely circumstance that the Before Rates volumes will be materially higher than projected, it is probable that the exposure or ‘discount leakage’ has been underestimated. However, by that same token the projected ACS cost savings will also have been underestimated, thus mitigating the loss from the additional leakage.

Please confirm that to the extent Before Rates volumes are materially higher, as you posit, the discount leakage cannot be eliminated. If you do not confirm, please explain.

- c. Please confirm that to the extent Before Rates volumes are materially higher in Year 3, the discount leakage at a \$0.050 discount will be \$0.033 [Discount - Net Contribution less Discount, \$0.050 - \$0.017]. If you do not confirm, please explain.