

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

Postal Rate Commission
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RATE AND SERVICE CHANGES TO IMPLEMENT
FUNCTIONALLY EQUIVALENT NEGOTIATED
SERVICE AGREEMENT WITH BANK ONE
CORPORATION

Docket No. MC2004-3

UNITED STATES POSTAL SERVICE NOTICE OF FOURTH ERRATA TO DIRECT
TESTIMONY OF MICHAEL K. PLUNKETT AND MOTION FOR
TRANSCRIPT CORRECTION (ERRATA)
(October 15, 2004)

The United States Postal Service provides notice that it is filing fourth errata to witness Plunkett's testimony. On page 15 of the testimony (Tr. 2/198) at line 23, the words "disadvantage for" should appear after the word "competitive." These words were inadvertently dropped while formatting the page. The error has been corrected in the attached. The Postal Service also moves that page Tr. 2/198 be corrected to reflect this.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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1 industry may compete. Indeed, there may be circumstances when it would be
2 impracticable or otherwise inappropriate to provide NSAs to all competitors within an
3 industry.

4

5 **VI. DISCOUNT CAP**

6 A 'stop-loss provision' or discount cap of \$40 million over three years was
7 incorporated in the rate and classification changes implementing the Capital One NSA.
8 This was not a condition that was negotiated between the Postal Service and Capital
9 One, but was added by the Commission (PRC Op., MC2002-2, ¶ 5061).

10 The Commission explained that it instituted the stop-loss provision because of the
11 variability inherent in the volume history of Capital One. The concern over "discount
12 leakage" exceeding cost savings thus influenced the decision to limit the total value of
13 discounts Capital One could earn (PRC Op., MC2002-2, ¶ 8024). In setting the cap, the
14 Commission found that there would be no impact on new volume contribution because
15 the thresholds were above the revised forecast. However, a cap based on either cost
16 savings or exposure (leakage) unnecessarily hinders the ultimate objective of utilizing
17 NSAs as a tool to increase net contribution. Basing the "stop-loss provision" solely on
18 cost savings would tend to limit participation in the NSA process to only large volume
19 mailers who can offer significant cost savings opportunities. This would place
20 customers who do not impose added costs on the Postal Service at a disadvantage.

21 More importantly, the stop-loss provision based on the Capital One condition
22 passing through 95 percent of the cost savings (Op. at 156) would foreclose the potential
23 contribution from increased volume. It also would impose a competitive disadvantage for

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.

Nan K. McKenzie

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