

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-0001**

Rate and Service Changes To Implement)
Functionally Equivalent Negotiated Service) Docket No. MC2005-2
Agreement With HSBC North America Holdings Inc.)

**ANSWERS OF HSBC NORTH AMERICA HOLDINGS INC. TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2
(March 22, 2005)**

HSBC North America Holdings Inc. ("HSBC") hereby responds to Question 1, sections (a), (b), (c) and (d) of Presiding Officer's Information Request No. 2, issued March 17, 2005. Each question is stated verbatim and followed by the response. Question 1, section (a) is also being answered by the Postal Service.

Respectfully submitted,

/s/

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March 22, 2005

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1. Refer to USPS-T-1 at 11 (revised March 11, 2005). Witness Dauer explains that one condition necessary to trigger an upward adjustment of the discount thresholds is that HSBC's Standard Mail volume for the year in question exceeds its forecast by at least 5 percent.
 - (a) Please refer to Attachment F to the Request at page 5, and confirm that the Standard Mail volume forecasts to which witness Dauer refers are 605 million for Year 1 and 596 million for Year 2. If so, identify the source of the forecasts, explain their development, and provide any independent analysis and/or calculations performed by the Postal Service to evaluate their reliability. If not, provide the correct forecasts, identifying their source, explaining their development and including any independent analysis and/or calculations performed by the Postal Service to evaluate their reliability.
 - (b) Please confirm that the estimates identified in part (a) are before rates volumes, and that the after rates volumes would be 16 million lower for Year 1 and 20 million lower for Year 2.
 - (c) Please confirm that the estimates identified in part (a) are for letter-shaped Standard Mail only. If not, provide the forecast volumes separately for each shape.
 - (d) Refer to HSBC-T-1 at page 6, Table 1. Witness Harvey presents historical First-Class Mail volumes for 2002, 2003, and 2004. Please provide HSBC's historical Standard Mail volumes for the same years, separately for each shape.

RESPONSE:

1. (a) The Standard Mail forecasts are confirmed. HSBC business managers developed these forecasts and provided them to the Postal Service. The budget process described in my testimony arrives at forecasts that are used in the ordinary course of business for our planning decisions. Our annual budget process begins with a strategic plan and a new account goal forecast, and then

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considers factors such as current market conditions, business trends, recent run rates, historical performance data, and testing results.

(b) Confirmed.

(c) Confirmed.

(d) Standard mail volumes were 223 million pieces in 2002; 287 million pieces in 2003; and 336 million pieces in 2004, all of which were letters.

CERTIFICATE OF SERVICE

I hereby certify that I have today caused the foregoing document to be served in accordance with Section 12 of the Commission's Rules of Practice

/s/

Joy M. Leong

March 22, 2005