

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

Rate and Service Changes to Implement)
Functionally Equivalent Negotiated Service)
Agreement with HSBC North America Holdings, Inc.)

Docket No. MC2005-2

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO THE UNITED STATES POSTAL SERVICE
WITNESS JESSICA A. DAUER (OCA/USPS-T1-6-9)
March 29, 2005

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with Office of the Consumer Advocate Interrogatories to United States Postal Service Witness Jessica A. Dauer (OCA/USPS-T1-1-5), March 15, 2005, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T1-6. Please confirm that your Appendix A, page 1, line 3 incorporates an average First-Class Mail return rate of 1.23%. If you do not confirm, then please explain.

OCA/USPS-T1-7. In March 2005, at the Nashville, TN, National Postal Forum, Postal Service witness (Docket No. MC2002-2) Jim Wilson made a presentation on the National Change of Address (NCOA) service. Data from an “average” 20-million-piece mailing for which the Postal Service had utilized NCOA service and Address Change Service (ACS) were disclosed. The data showed that 5.94% of such an “average” First-Class mailing was returned, as opposed to the 1.23% figure that you use in Appendix A. Assume for purposes of this interrogatory that the 5.94% figure, rather than the 1.23% figure, is correct.

- a. What is the effect on a Commission-style savings cap of a return rate that is nearly 5 times the return rate that you use? Provide all calculations and cite/provide all sources used to answer this question.
- b. What is the effect of a return rate that is nearly 5 times the return rate that you use on the contribution that you have estimated? Provide all calculations and cite/provide all sources used to answer this question.
- c. If the average return rate for First Class is 5.94%, then please confirm that HSBC’s return rate is below the average. If you do not confirm, then please explain.

OCA/USPS-T1-8. In the Spring 2003 issue of a Pitney Bowes publication, *PostInsight*, Pitney Bowes reported that the Postal Service incurs approximately \$1.9 billion of UAA

costs each year. Please confirm that this figure is correct or provide the correct figure. Cite/provide the source for any corrected figure.

- a. If the \$1.9 billion figure is approximately correct, and the return rate for First-Class Mail is 5.94%, not 1.23%, then doesn't it follow that the unit cost of physically returning mail is far lower than estimated by witness Crum, i.e., because the \$1.9 billion will be spread over the much larger volume figure implied by a 5.94% return rate? If you do not confirm, then please explain.
- b. If the unit cost of physically returning mail is far lower than estimated by witness Crum, then doesn't it follow that the Postal Service might be worse off in providing electronic return service in lieu of the physical return of HSBC's mail? If you do not agree, then please explain.
- c. If \$1.9 billion and 5.94 percent are correct figures, then doesn't it follow that the unit cost of a physical return is more like \$0.12 than \$0.57? If you do not confirm, please explain.
- d. If 5.94 percent and \$0.12 are used in your testimony at Appendix A, Page 1, is it not the case that the results in the table below will appear at Appendix A, Page 12? If you do not confirm, please explain.

HSBC North America Holdings Inc. Model						
Negotiated Service Agreement						
Appendix A, page 12						
			Year 1	Year 2	Year 3	Total
ACS Savings						
(1)	Statement Mail	\$	-	\$	-	\$ -
(2)	Marketing Mail Letter	\$	(1,559,055)	\$	(2,512,490)	\$ (3,189,286)
						(7,260,831)
Contribution from New Volume						
(3)	Statement Mail	\$	-	\$	-	\$ -
(4)	Marketing Mail Letter	\$	1,245,336	\$	1,528,773	\$ 1,499,761
						4,273,869
(5) Total Exposure		\$	656,340	\$	964,968	\$ 1,172,146
(6) Total Incremental Discounts		\$	411,268	\$	592,994	\$ 628,691
(7) Total USPS Value		\$	(1,381,328)	\$	(2,541,678)	\$ (3,490,363)
						(7,413,369)

OCA/USPS-T1-9. Please refer to your testimony at Appendix A, Page 6.

- a. Please confirm that the formula in column (13) is: $= (\$0.57 * 95,685,915) * (0.0475 - 0.0123) / 95,685,915$. If you do not confirm, please explain.
- b. Please confirm that the formula in column (13) can be written as: $= - (\$0.57 * 0.0123) + (\$0.57 * 0.0475)$. If you do not confirm, please explain.
- c. Please confirm that the formula in column (15) is: $= ((0.85 * \$0.36 + (1 - 0.85) * \$0.57) * (95,685,915 * (0.0475 - 0.0123))) / 95,685,915 - 0.0123 * (\$0.57 - \$0.36) * 0.85$. If you do not confirm, please explain.
- d. Please confirm that the formula in column (15) can be written as: $= - (\$0.57 * 0.0123) + (0.85 * \$0.36 + (1 - 0.85) * \$0.57) * 0.0475$. If you do not confirm, please explain.