

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

NOTICE OF THE UNITED STATES POSTAL SERVICE  
OF THE THIRD SET OF REVISIONS TO THE TESTIMONY OF WITNESS  
DAUER -- ERRATA  
(April 14, 2005)

The Postal Service hereby gives notice of one further revision to the direct testimony of witness Dauer in this proceeding. This revision is merely the deletion of a parenthetical (“(less incremental discounts)”) on line 9 of page 16, which did not accurately characterize the figure displayed on that line. In other words, the calculations shown in the testimony and spreadsheets are all correct, but, with the parenthetical, the textual description on line 9 of page 16 did not properly correspond to those calculations. Accordingly, the parenthetical has been deleted.

Attached to this notice is revised page 16 of the testimony.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 14, 2005

### **CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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1 that would have occurred without a price incentive. As described by witness Eakin,  
2 setting a threshold below forecast volume is economically efficient because it reduces  
3 the mailer's marginal price of First-Class Mail relative to other forms of solicitation, and  
4 reduces the gap between marginal price and marginal cost of the mailer's First-Class  
5 Mail. (MC2002-2,USPS-RT-2 at 4-5, Tr. 10/2069-70).

6 I estimate the value to the Postal Service of the HSBC agreement, when  
7 considering all three value drivers, over the three years of the NSA, as follows:

8 ACS Cost savings:	\$6.6 million
9 Increased contribution:	\$4.1 million
10 Discount exposure:	(\$4.4) million

11  
12 The agreement therefore would result in a net benefit to the Postal Service of \$6.3  
13 million over the life of the NSA. A detailed analysis of the financial impact is provided in  
14 Appendix A.

## 15 **B. Financial Model**

16 I believe that the analysis provided in the valuation model of the HSBC NSA  
17 complies with the guidelines established by the Commission in Rule 193(e). The model  
18 follows witness Crum's methodology in Docket No. MC2002-2, except in instances  
19 where a change allows it to conform more closely to the requirements of Rule 193(e).  
20 The features of the model are described below; the model is in Appendix A and any  
21 changes are discussed in Appendix B.

22 In order to comply with Rule 193(e)(2), the Postal Service and HSBC have  
23 provided more data than in Docket No. MC2002-2 in order to present a more