Postal Rate Commission
Submitted 8/9/2005 4:33 pm
Filing ID: 46404
Accepted 8/10/2005

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

RATE AND SERVICE CHANGES TO IMPLEMENT BASELINE NEGOTIATED SERVICE AGREEMENT WITH BOOKSPAN

DOCKET NO. MC2005-3

Response of Bookspan to
Presiding Officer's Information Request No. 1
(August 9, 2005)

Bookspan hereby responds to questions 4(a) and 4(c) of Presiding Officer's Information Request No. 1, issued July 26, 2005. Each question is stated verbatim and followed by the response. Postal Service witnesses Plunkett and Yorgey will answer the remaining questions.

Respectfully submitted,

_____

Ian D. Volner
Rita L. Brickman
Matthew D. Field
Venable LLP
575 7th Street, NW
Washington, DC 20004-1601
(202) 344-4814
idvolner@venable.com
Counsel to Bookspan

RESPONSE OF BOOKSPAN WITNESS EPP TO PRESIDING OFFICER'S INFORMATION REQUEST NUMBER 1, QUESTIONS 4(A) AND 4(C)

4. Bookspan witness Epp states that the significant drop in the before rates volume forecast for the first year of the agreement is "primarily due to the anticipated 5.4% increase in postage rates." Bookspan-T-2, page 11, lines 12-13.

a. Please provide a set of before and after rates volume estimates (separately for letters and flats) for each year of the agreement assuming that rates remain at current levels.

b. The unit costs and revenues utilized to estimate the financial impact of the agreement in Appendix A are from the (R2005-1) test year before rates and base year, respectively. They therefore reflect the set of rates currently in effect.

   i. Please explain the rationale for applying unit costs and revenues that do not reflect the effects of implementing the R2005-1 proposal to volumes that do reflect the effects of the R2005-1 proposal.

   ii. Please provide a version of Appendix A using unit costs and revenues that reflect the effects of implementing the R2005-1 proposed rates.

c. Please provide historical volumes that, as nearly as practicable, reflect the Standard Mail volumes (separately for letters and flats) of Bookspan in the year before and the year after the implementation of the R2001-1 rate increase.

Response of Bookspan Witness Epp:

a. When the company's budgeting process for 2006 began, the company already knew that there would be, or would highly likely be, a postal rate increase at some time during the company's fiscal year and, therefore, we did not prepare hypothetical budgets

or volume forecasts. Our current best estimate of volumes to which the NSA would apply on the artificial assumption that there is no rate increase is as follows:

No rate hike, no NSA

	2006	2007	2008
Letters	80	78	78
Flats	140	135	135
Total	**220**	**213**	**213**

The estimated reduction of letter and flat volume in 2007 is not predicated on the assumption that there would be a rate increase in 2007; rather, it reflects my judgmental assessment that,but for the NSA, there would be some shift of letters and flats to electronic media in that year.

b. See Response of Postal Service Witnesses Plunkett and Yorgey.

c. The question calls for Bookspan's *total* Standard Mail volumes "in the year before and the year after" the rate increase that took effect on June 30, 2001. While we set forth below the information that we have that may be responsive to the question, several cautions concerning the use of this data must be noted. First, the fiscal year calculation used by Bookspan does not coincide with that of the Postal Service. Therefore, the historic volumes of mail eligible for NSA treatment submitted in this case was recomputed to conform to the Postal Service's fiscal year. Although, pursuant to the NSA, Bookspan will compute volumes of mail eligible for NSA treatment in accordance with the Postal Service's fiscal year during the term of the agreement, it has not historically done so and does not have such records for prior years.

Finally, and perhaps most importantly, the volumes set forth below include letter mail sent by Bookspan to existing members and, therefore, ineligible for the NSA. With these cautions, the information requested is as follows:

2001	
Total:	422,445,784
Letters:	195,388,615
Flats:	227,057,169
2002	
Total:	449,772,518
Letters:	218,144,051
Flats:	231,628,467
2003	
Total:	392,888,414
Letters:	202,450,814
Flats:	190,437,600