

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

**RESPONSES OF POSTAL SERVICE WITNESS YORGEY
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T2-1-5)**

The United States Postal Service hereby provides the responses of witness Yorgey to the following interrogatories of the Office of the Consumer Advocate, filed on July 27, 2005: OCA/USPS-T2-1-5. Interrogatory OCA/USPS-T2-6 was redirected to witness Plunkett.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 10, 2005

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YORGEY
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-1. Please refer to your testimony at pages 2 and 3, line 20, and lines 1-2, respectively, where it states “Discounts would be *earned* for volumes above 87 million pieces (the threshold), but the discounts would *not* be paid unless Bookspan actually mails 94 million pieces (the volume commitment).” (emphasis original). In the first year of the NSA, assuming Bookspan mails more than 87 million but less than 94 million pieces, under what circumstances (if any) could Bookspan be paid for the discounts earned on an annual volume between 87 million and 94 million pieces?

RESPONSE:

Given the hypothetical described in this interrogatory, there would be no payment to

Bookspan under any circumstances.

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OCA/USPS-T2-2. Please refer to your testimony at page 12, lines 11-14, where it states, “The second feature . . . requires that volumes exceed incentive volume thresholds before discounts are payable.” Also, please refer to page 4, Table 1, the “Year 1 Structure” Volume Commitment of 94 million.

- a. Please confirm that the volume commitment of 94 million pieces, once achieved by Bookspan, causes the payment of discounts earned for volumes between 87 million and 94 million? If you do not confirm, please explain.
- b. Please explain how the volume commitment of 94 million pieces reduces the financial risk to the Postal Service.
- c. Please confirm that an “incentive volume threshold” of 94 million would be more advantageous to the Postal Service in terms of reducing financial risk on the downside than the 87 million incentive volume threshold. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. As explained in my testimony, page 12, the volume commitment threshold provides additional protection from deviation in forecasting before-rates volumes and also reduces the risk of discount leakage by requiring that volumes exceed incentive volume thresholds before discounts are payable.
- c. A conclusive answer is not possible without knowing what additional considerations Bookspan would have required to agree to higher threshold levels. Moreover, 94 million is substantially higher than Bookspan’s before rates volume, such that it would be less effective as an incentive if it is perceived to be unreachable.

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OCA/USPS-T2-3. Please refer to Attachment A of your testimony, page 4, columns (1) and (9), the “TYBR 2006 Total Unit Cost (Dollars).” Please show the derivation of the figures used in columns (1) and (9), and citations to all sources.

RESPONSE:

Please see Attachment 2 to the Postal Service’s Response to Presiding Officer’s Information Request No. 1 (question 2).

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OCA/USPS-T2-4. Please refer to Attachment A of your testimony, page 6, columns (1) and (9), the “TYBR 2006 Total Unit Cost (Dollars).” Please show the derivation of the figures used in columns (1) and (9), and citations to all sources.

RESPONSE:

Please see Attachment 2 to the Postal Service’s Response to Presiding Officer’s Information Request No. 1 (question 2).

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OCA/USPS-T2-5. Please refer to the Request at Attachment F, Section I.A., where it states “Such letters may include promotions of Bookspan’s strategic business alliances.”

- a. Please explain what is meant by “Bookspan’s strategic business alliances.”
- b. Will the number of “Bookspan’s strategic business alliances” be fixed in number for the duration of the NSA? Please explain.
- c. What is to prevent Bookspan from becoming a “presort bureau” for those who belong to “Bookspan’s strategic business alliances?” Please explain.
- d. How does the Postal Service intend to monitor this section of the NSA? Please explain.

RESPONSE:

- a. It is the Postal Service’s understanding that Bookspan’s solicitation mailings currently may include material promoting its business partners. The statement you quote from the NSA is intended to make it clear that the NSA does not require a change in Bookspan’s practices in that regard.
- b. The NSA does not address that issue.
- c.-d. As a matter of course, the Postal Service monitors all NSA customer volumes on a monthly basis. Any unusual deviation from normal mailing patterns would trigger an inquiry into the source of the increase. If Bookspan were found to be acting as a presorter, which is contrary to the purpose of the NSA, the Postal Service would consider the appropriate course of action, which could include exercising its unconditional right to terminate the agreement with 30 days’ notice.

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.

Scott L. Reiter

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