

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 THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-3)**

The United States Postal Service hereby provides its response to the following  
interrogatory of the Office of the Consumer Advocate, filed on August 15, 2005:

OCA/USPS-3.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 29, 2005

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OCA/USPS-3. Please refer to the Request, Attachment E, "Compliance Statement," which references section 195 of the Commission's Rules of Practice and Procedure (39 CFR §3001.195). Section 195(a)(1) states that the Postal Service's request shall include: "(1) A written justification for requesting a Negotiated Service Agreement classification as opposed to a more generally applicable form of classification;"

- a. Please cite the specific sections of the Request, testimony or other written documentation filed in this proceeding that weighs the justification for the Bookspan NSA against "a more generally applicable form of classification."
- b. As requested by Section 195(a)(1), please provide the written justification for requesting the Bookspan NSA classification as opposed to a more generally applicable form of classification.
- c. Please confirm that a discount averaging between 1 and 3 cents for Standard Mail letter-size pieces generally would induce some additional letter-size volume. If you do not confirm, please explain.
- d. Please explain why it is not beneficial to the Postal Service to offer a general discount, averaging between 1 and 3 cents for volumes of Standard Mail letter-size pieces in excess of last year's volumes, rather than for Bookspan specifically?

RESPONSE:

- a. Pages 3-4 of the Postal Service's Request states:

Rule 195(a)(1) requires that the Postal Service provide a "written justification for requesting a Negotiated Service Agreement classification as opposed to a more generally applicable form of classification" ....

As to the question of an NSA versus a generally available classification, the Postal Service believes that an NSA is appropriate in these circumstances. The terms and conditions of the NSA were specifically tailored to reflect the relationship between the Postal Service and Bookspan, which appears to be unique for the reasons set forth in the testimonies of witnesses Posch (Bookspan-T-1), Epp (Bookspan-T-2) and Yorgey (USPS-T-2). Of course, other mailers who can demonstrate that they are similarly situated would be welcome to negotiate a functionally equivalent NSA with the Postal Service. Any such NSA would similarly have to be tailored to the specific mailing profiles of those customers. Thus, a generally available classification would not be a reasonable substitute for the NSA presented in this Request. As to the operational bases and facilities used, this NSA does not envision or require any changes to the current operations and facilities utilized by the Postal Service and Bookspan. Bookspan's mailing practices and postal handling of Bookspan's mail were scrutinized during the course of negotiations and

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no significant opportunities for additional substantive postal savings were identified.

Also, witness Posch elaborates on the scope and breadth of the direct multiplier effect of continuing mailings of various classes, coupled with the indirect multiplier effect of mailing list expansion. Bookspan-T-1, at 3-6. These characteristics are limited to a very small number of mailers. See Bookspan-T-2, Epp at 2,

In addition, as Plunkett discusses, in response to OCA-T1-4, there is a need for specific contractual provisions designed to ensure that the negotiated incentives are employed solely by the customer, and in the Bookspan case specifically the Postal Service has an unlimited right to terminate the contract if it concludes that the incentives are not working as intended. A classification would not allow the same protections as those afforded by a signed agreement.

b. Please see part a. In addition to those reasons, the small number of companies that could be considered similarly situated make an NSA seem particularly appropriate.

c. In general, any reduction in relative price creates an additional incentive for migration. In practice, the degree to which pieces can be converted from flats to letters will be influenced by other factors. For instance, some mailings may have physical properties that make conversion to letters problematic.

d. During any particular year, many customers' mail volumes would be expected to grow independently of any price incentive to do so. While the presence of an additional incentive might stimulate additional growth, a single, uniform price incentive would inevitably extend the incentives to customers or groups of customers that would increase their mail volume without such incentives. Moreover, absent the contractual

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arrangements that designate specific permits for inclusion, a classification-wide incentive would create opportunities for the consolidation of preexisting volumes to take advantage of new discount opportunities. As noted above, an NSA can contain provisions, as does this one, to protect the Postal Service from these and other contingencies that could lead to adverse results.

## **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.

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