

**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 WITNESS POSCH TO INTERROGATORY OF THE OFFICE
OF THE CONSUMER ADVOCATE (OCA/BOOKSPAN-T1-8)**

(September 23, 2005)

Bookspan hereby provides the response of Witness Posch to Office of the
Consumer Advocate interrogatory OCA/BOOKSPAN-T1-8, filed September 9, 2005.

The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

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OCA/BOOKSPAN-T1-8. Please refer to your response to interrogatory OCA/USPS-T1-13.d., redirected from the Postal Service and filed August 30, 2005. In that response, you state:

As Witness Epp explains in his testimony, Bookspan's marketing budgets drive its mail volume forecasts. I expect any new strategic business alliances to be required to operate within Bookspan's overall budgetary constraints. Therefore, to the extent that there could be future strategic business alliances that generate new mail volumes, these volumes are within the forecasts.

- a. Please confirm that any strategic business alliances resulting in inserts from another company being placed in a Bookspan solicitation mailpiece would involve (in most cases) some contribution from the strategic ally toward the expenses of the mailpiece. If you do not confirm, then please explain why Bookspan would find it advantageous to dilute its solicitation message without compensation from the strategic ally.
- b. If it is correct that, at least in some instances, strategic allies will help defray the costs of Bookspan's solicitation mailings, then isn't it true that Bookspan will be working with a larger marketing budget than if the solicitation mailings were limited to Bookspan's content alone? Please explain fully any negative response.
- c. For the period 2000 to date, please estimate the total number of Bookspan solicitation mail pieces. Please break down that volume figure into mailpieces containing material of a strategic business ally and mailpieces that were limited to Bookspan solicitation material. Further break down the volume of mailpieces containing material of a strategic business ally into the number of mailpieces for which the strategic ally helped defray the costs of mailing and the number for which the strategic business ally had material in the envelope but paid nothing to

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- defray the costs of mailing. Please state all facts and assumptions upon which the estimate is based.
- d. For the period 2000 to date, please estimate the postage costs for mailpieces that included material from a strategic business ally. Also estimate the percentage of such postage costs that were paid by the strategic ally and the percentage of costs that were paid by Bookspan. Provide separately an estimate of the postage costs that were incurred during the same time period to mail solicitation mailpieces that included material only from Bookspan. Please state all facts and assumptions upon which the estimate is based.
- e. For the period of time 2000 to date, did strategic business allies bear all of the production expenses for the material concerning their separate products? If not, did Bookspan pay some of the ally's production expenses? Please explain why Bookspan would bear some (or all) of the production expenses of a strategic ally if, in fact, it has ever done so.
- f. For the period of time 2000 to date, did strategic business allies bear some (or all) of the production expenses for Bookspan's solicitation material concerning Bookspan's separate product? If so, was this considered part of the compensation to Bookspan for including the strategic ally's material in the Bookspan solicitation mailpiece? Please explain.
- g. For the period of the NSA, please explain the financial arrangements anticipated for mailpieces that carry the content of a strategic business ally and Bookspan. Please include in this explanation whether the strategic ally will be expected to

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- pay a portion of the postage on each mailpiece mailed under the strategic alliance.
- What formula will be used to determine the ally's share of postage?
- h. Is one of the main purposes of a strategic business alliance to split the mailing costs with another company? If not, what are the main objectives of a strategic business alliance?
 - i. Pursuant to the NSA, please estimate the percentage of projected solicitation mail volumes that will include inserts from strategic business allies. Please state all facts and assumptions upon which the estimate is based.
 - j. Pursuant to the NSA, please estimate the percentage of postage costs incurred by solicitation mail pieces that will be paid by strategic business allies. Please state all facts and assumptions upon which the estimate is based.

Response:

- a. Confirmed.
- b. No. The marketing budget is set independently based on Bookspan's member acquisition goals.
- c-h. I assume that the many questions encompassed in each of these subparts are all inquiring regarding Bookspan's New Member solicitations. (Were these inquiries concerning Current Member pieces, the answers would be entirely irrelevant to this proceeding.) Bookspan was formed in March 2000 and we do not have annual volume data prior to Postal Fiscal Year 2001.

See Bookspan's responses to OCA/BOOKSPAN-T2-9 (a-c) and OCA/BOOKSPAN-T2-8(a), and OCA/USPS-T1-13(c). Also, see Bookspan's historic

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New Member solicitation volumes set forth in Witness Epp's testimony. As stated in OCA/USPS-T1-13(c), inserts were included in New Member solicitations as part of a test conducted for the first time in 2005. There were approximately 350,000 New Member solicitation mailpieces that included inserts in 2005. Bookspan did not separately track postage costs or production expenses for this test.

i. As only a nominal percentage of Bookspan New Member mail has included inserts from strategic business allies to date, and this has only been done as a test for the first time in 2005, I expect that the percentage of projected New Member mailpieces that will include inserts from strategic business allies pursuant to the NSA will be a nominal percentage.

j. The percentage of postage costs incurred by solicitation mailpieces that will be paid by strategic business allies is also expected to be nominal. See my response to (i) above.