

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

Postal Rate and Fee Changes, 2006)
) Docket No. R2006-1
)

FIRST INTERROGATORIES OF DIRECT MARKETING ASSOCIATION
TO USPS WITNESS RICHARD G. LOUSCH (DMA/USPS-T6-1-17)

(June 20, 2006)

Pursuant to sections 25 and 26 of the Rules of Practice, Direct Marketing Association directs the following interrogatories to USPS witness Richard G. Lousch (USPS-T-6). If the witness is unable to respond to any interrogatory, we request that a response be provided by an appropriate witness capable of providing an answer.

Respectfully submitted,

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DIRECT MARKETING ASSOCIATION INTERROGATORIES
TO USPS WITNESS RICHARD G. LOUTSCH, USPS-T-6

DMA/USPS-T6-1. Please refer to Exhibit USPS 6A.

- a) When were the estimates in this Exhibit prepared?
- b) Please confirm that this Exhibit shows that the Postal Service will incur a net loss of \$2.143 billion in FY 2006. If you do not confirm, please explain fully.
- c) Please confirm that the April Financial & Operating Statement report shows a net loss of \$89 million year to date. If you do not confirm, please explain fully.
- d) Please confirm that as of the end of April, there were 5 months left in the Fiscal Year.
- e) Please confirm that the Postal Service will have to incur an average loss of over \$400 million in each of the remaining months if they are to lose \$2.143 billion for the year. If you do not confirm, please explain fully.
- f) Do you still believe that the Postal Service will lose \$2.143 billion in FY 2006? Please explain your underlying logic.
- g) Please confirm that if the Service loses less than \$2.143 billion in FY 2006, it will be because revenues are higher than you predicted in USPS 6A, expenses are lower, or some combination. If you do not confirm, please explain fully.
- h) Please confirm that the April Financial & Operating Statement report shows that Total Revenue is \$346.2 million favorably above budget while Total Expense is \$159.8 million above budget. If you do not confirm, please explain fully.
- i) What is the budget for net income for the year that is reflected in the 2006 Financial & Operating Statements?

DMA/USPS-T6-2. Please assume that revenues for Fiscal 2006 were \$1 billion higher than the estimate shown in USPS 6A. Knowing this and assuming you could then re-estimate revenue for FY 2007 and FY 2008, please confirm that all else being equal, your revised estimate would be higher than the estimates shown in USPS 6A. Please fully explain any failure to confirm.

DMA/USPS-T6-3. Please assume that revenues for Fiscal 2006 were \$2 billion higher than the estimate shown in USPS 6A. Knowing this and assuming you could then re-estimate revenue for FY 2007 and FY 2008, please confirm that all else being equal, your revised estimate would be higher than the estimates shown in USPS 6A. Please fully explain any failure to confirm.

DMA/USPS-T6-4. As a general proposition, do you believe that predictions about the future are more accurate the closer they are made to the events being predicted? Please explain the reasoning underlying your belief.

DMA/USPS-T6-5. Please provide a schedule showing when the Postal Service expects to release each Financial & Operating Statement for the rest of this year. If you do not know a precise date for the release of a statement, please provide your best estimate.

DMA/USPS-T6-6. As you know, the Postal Service is redesigning its processing and transportation network.

- a) Does the Postal Service intend to sell any real estate as a result of consolidating its processing network?
- b) If the Postal Service does not intend to sell any real estate, please explain why not and what it will do with the excess real estate.
- c) How would any proceeds from the sale of real estate be treated on the books of the Postal Service?
- d) Have any proceeds from the sale of real estate been accounted for in your estimates of revenue in 2006, 2007, and 2008?

DMA/USPS-T6-7. Does the Postal Service have any studies comparing market value to book value for any real estate owned by the USPS? If so, please provide them.

DMA/USPS-T6-8. Please confirm that the market value of the real estate owned by the USPS is higher than the value at which it is carried on its books. If you cannot confirm, please explain why, particularly in light of the recent increase in the price of real estate.

DMA/USPS-T6-9. Please provide a table showing for each Omnibus Rate filing the USPS estimated equity in the Test Year After Rates.

DMA/USPS-T6-10. Please confirm that all things being equal, in estimating Test Year Costs, a predicted decline in mail volume from the Base Year to the Test Year will lead to a reduction in clerks and mailhandlers, and that the reduction in the number of clerks and

mailhandlers will lead to a reduction in the number of supervisors for these clerks and mailhandlers.

DMA/USPS-T6-11. Please confirm that all things being equal, in estimating Test Year Costs, a predicted decline in mail volume from the Base Year to the Test Year will lead to a reduction in the in-office cost for city delivery carriers, and that this reduction will lead to a reduction in the costs of supervisors for these carriers.

DMA/USPS-T6-12. Please explain fully why the Postal Service does not fully piggyback all cost reduction programs.

DMA/USPS-T6-13. When the Postal Service sells a stamp, is the revenue booked at the time of sale, at the time the Stamp is used on a mail piece, or at some other time? Please feel free to provide separate answers for philatelic issues.

DMA/USPS-T6-14. Please provide the dollar value of stamps sold in the Base Year and an estimate of the dollar value of those that are expected to be sold in the Test Year.

DMA/USPS-T6-15. Please provide an estimate of the percentage of the dollar value of stamps that are sold but that are never used because they are lost, are purchased for philatelic reasons, or are not used on mail for some other reason. Please be sure to discuss how personal postage available from Zazzle or from other vendors affects the estimate. If there are studies, analyses, or reports from USPS auditors bearing on this issue, please provide them.

DMA/USPS-T6-16. If revenue is booked only when stamps are used, please describe how the Postal Service accounts for the value of those stamps that are lost, purchased for philatelic reasons, or are not used on the mail for some other reason.

DMA/USPS-T6-17. Please provide all studies, reports from USPS auditors, or analyses bearing on the topic of Postage in the Hands of the American Public.