

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

RATE AND SERVICE CHANGES TO IMPLEMENT
BASELINE NEGOTIATED SERVICE AGREEMENT WITH
WASHINGTON MUTUAL BANK

Docket No. MC2006-3

**RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS AYUB TO INTERROGATORIES OF THE OFFICE OF CONSUMER
ADVOCATE (OCA/USPS-T1-17-21)**

June 21, 2006

The United States Postal Service hereby provides the responses of witness Ayub to the following interrogatories of the Office of Consumer Advocate: OCA/USPS-T1-17-21, filed on May 9, 2006. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony Alverno
Chief Counsel, Customer Programs

Frank R. Heselton
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1135
(202) 268-5204; Fax -6187
June 21, 2006

**RESPONSE OF USPS WITNESS AYUB TO INTERROGATORIES
OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-17. This interrogatory seeks information that could be used to reduce financial risk to the Postal Service from the Washington Mutual Bank (WMB) NSA. Please refer to your response to OCA/USPS-T1-14(a), which asked whether “this potential benefit” (of unlimited discounts) exists for WMB under the NSA if WMB sends more First-Class Mail than it currently forecasts. Your response states in part

that we expect WMB to mail more contribution-generating First-Class Mail volume under the proposed discount structure than under the *existing rate schedule*. (emphasis added)

- a. Please answer OCA/USPS-1-14(a) with respect to whether “this potential benefit” exists if WMB sends more First-Class Mail than *it currently forecasts* for its after-rates volume estimate.
- b. If “this potential benefit” of unlimited discounts exists for WMB under the NSA for volumes in excess of its after-rates volume estimate, please explain how the Postal Service will determine whether the excess volume is a function of the discounts or a function of exogenous factors. Please specify all methods the Postal Service intends to use to determine that volume in excess of the after-rates volume estimate is a function of the discounts.

RESPONSE:

- a. The Postal Service’s direct case does not address quantitatively: (i) “this potential benefit,” (ii) the potential cost of the probability that the NSA may encourage greater volume, or (iii) whether a cap will limit volume growth. If a cap limits the incentives at 713 million First-Class Mail pieces, and the NSA causes a change in the demand curve, then the cap will limit the opportunity to increase mail volumes above the fixed cap. Please see my response to OCA/USPS-T1-14(a).
- b. During the course of the agreement, the Postal Service will continually monitor and engage in company-specific research to evaluate factors that may influence mail volumes. Furthermore, we regularly monitor the industry and attempt to identify trends that may influence a mailer’s operations. If we believe that the agreement is no longer in the best interests of the Postal Service, Article IV,

**RESPONSE OF USPS WITNESS AYUB TO INTERROGATORIES
OF THE OFFICE OF CONSUMER ADVOCATE**

Paragraph F, of the agreement empowers the Postal Service to terminate it. This clause thereby protects the Postal Service from financial risk.

**RESPONSE OF USPS WITNESS AYUB TO INTERROGATORIES
OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-18. This interrogatory seeks information to clarify the Postal Service's volume estimates for the Washington Mutual Bank (WMB) NSA. Please refer to your testimony, Appendix A, page 2. Please reconcile the First-Class and Standard Mail volumes for 2005 with the First-Class and Standard Mail volumes for 2005 shown in WMB-T-1 (Rapaport), Table 1, at 3.

RESPONSE:

Please see my Supplemental Testimony filed on June 8, 2006, and the revised WMB monthly volumes in the attachment to my testimony.

**RESPONSE OF USPS WITNESS AYUB TO INTERROGATORIES
OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-19. This interrogatory seeks information to clarify the Postal Service's estimate of unit revenue for the Washington Mutual Bank (WMB) NSA. Please refer to your testimony, Appendix A, page 3, cell A58, which states, in part,

WMB mail operations volume consisted of 170 million pieces, however they were commingled mail volumes of WMB card services mail pieces and mail from other Postal Service customers.

- a. Please explain how "commingled mail volumes" from "other Postal Service customers" can be described as "WMB mail operations volume."
- b. Please explain why "the Postal Service could not identify the exact breakdown based on this commingling."
- c. Please explain what is meant by the sentence, "We believe WMB operations mail volume will reflect this average."

RESPONSE:

- a. The mail service providers' (MSPs) data, permit information, and entry point data provided by WMB for its operations volume indicate 170 million pieces.

However, because that volume is tendered to the USPS through MSPs, and not by WMB, volume statistics derived from the mail service providers' data can include mail from other customers within that mailing. In the future, we can control for this because the WMB NSA requires that for future mailings, a unique permit be utilized for WMB's mail volume. The footnote in my testimony was not intended to imply that all 170 million pieces were WMB mail pieces. WMB identified and documented that its volume from these permits was 120 million pieces. The remaining 50 million pieces are not WMB mail volume; rather, the pieces originate from other customers of the MSPs and are commingled with WMB mail volume.

- b. Please see my response to Part (a).

**RESPONSE OF USPS WITNESS AYUB TO INTERROGATORIES
OF THE OFFICE OF CONSUMER ADVOCATE**

- c. The revenue and cost estimates for operations mail volume is based on the 170 million pieces. Without knowing the exact breakdown of the number of pieces that originated from WMB at the time of mailing, I believe that using the average revenue and cost estimates for those 170 million pieces should reflect the average rates and costs for WMB's 120 million pieces.

**RESPONSE OF USPS WITNESS AYUB TO INTERROGATORIES
OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-20. This interrogatory seeks information to clarify the Postal Service's estimate of unit revenue for the Washington Mutual Bank (WMB) NSA. Please refer to your testimony, Appendix A, page 3, and the "Total pieces" of 170,059,496 in column (3). Please reconcile the "Total pieces" with the First-Class Mail "Operational mail" volume for FY 2005 reported on Appendix A, page 2, and WMB-T-1 (Rapaport), Table 1, at 3.

RESPONSE:

Please see my Supplemental Testimony filed on June 8, 2006, and the revised WMB monthly volumes in the attachment to my testimony.

**RESPONSE OF USPS WITNESS AYUB TO INTERROGATORIES
OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-21. This interrogatory seeks information to clarify the Postal Service's estimate of unit revenue for the Washington Mutual Bank (WMB) NSA. Please refer to your testimony, Appendix A, page 4, and the "Total pieces" of 270,685,915 in column (3). Please reconcile the "Total pieces" with the First-Class Mail "Marketing mail" volume for 2005 reported on Appendix A, page 2, and WMB-T-1 (Rapaport), Table 1, at 3.

RESPONSE:

Please see my Supplemental Testimony filed on June 8, 2006, and the revised WMB monthly volumes in the attachment to my testimony.

.

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.

Frank R. Heselton

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
June 21, 2006