

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

POSTAL RATE AND FEE CHANGES, 2006-1

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) Docket No. R 2006-1
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First Set of Interrogatories of
Discover Financial Services LLC & Morgan Stanley, Inc. (DFS & MSI)
To USPS Witness Donald J. O'Hara
(DFS & MSI/USPS-T31-1)
(July 12, 2006)

Discover Financial Services, LLC & Morgan Stanley, Inc. (DFS & MSI) hereby submit the attached interrogatories to United States Postal Service witness Donald J. O'Hara (USPS-T31) and respectfully request a timely and complete response. If the witness cannot answer a question, or any part of a question, we request that the Postal Service answer through another witness or institutionally.

Respectfully submitted,

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DFS & MSI/USPS-T31-1 Please refer to page 13 and 14 of your testimony where you discuss “Degree of Preparation.”

(a) Please confirm that work-shared mail tends to be more cost efficient for the Postal Service to handle than non-work-shared mail.

(b) Please confirm that as the degree of worksharing in a class or subclass increases over time, the cost coverage for that class must be increased if the Postal Service is to maintain the same institutional contribution of that class or subclass.

(c) Please confirm that the consequence of the dynamic discussed in part (b) of this interrogatory is that the cost coverage of a subclass with a greater-than-average increase in worksharing will need to increase relative to the system-average coverage if and only if the Postal Service wishes to maintain the institutional cost contribution of that subclass.

(d) Please confirm that the net effect of the dynamics discussed in parts (b) and part (c) of this interrogatory is to, over time, increase the *relative* institutional cost burden of work-shared mail more than that of non-workshared mail.

(e) Please confirm that the net effect of the dynamics mentioned in parts (b) through (d) of this interrogatory is that the more efficient mail becomes, the greater its relative institutional cost burden becomes.

(f) Would not economic efficiencies tend to be more strongly encouraged if the relative burden of work-shared mail did not increase as that mail becomes more efficient?