

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF DOUGLAS F. CARLSON
(DFC/USPS-T48-1 THROUGH 20)

The United States Postal Service hereby files the responses of witness
Altaf H. Taufique to the following interrogatories of Douglas F. Carlson:
DFC/USPS-T48-1 through 20, filed on July 17, 2006.

The interrogatories are stated verbatim and are followed by the
responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORY OF DOUGLAS CARLSON**

DFC/USPS-T48-1. Will a “Forever Stamp” be valid for postage at the prevailing rate for one-ounce First-Class letters on pieces of mail that require more postage than a one-ounce letter? For example, if the prevailing rate for one-ounce letters is 45 cents, and if a piece of mail requires 80 cents postage, will a mailer be permitted to use one “Forever Stamp” plus additional stamps totalling 35 cents?

RESPONSE

Please see the responses to DBP/USPS-340 and DBP/USPS-341.

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DFC/USPS-T48-2. Please describe the origin of the name “Forever Stamp,” and please provide other names that the Postal Service rejected.

RESPONSE

Please see the response to DBP/USPS-326.

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DFC/USPS-T48-3. Did the Postal Service test the name “Forever Stamp” with the public to gauge recognition and understanding of this name?

RESPONSE

No. The name “Forever Stamp” was not tested in any market research or study.

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DFC/USPS-T48-4. Please discuss the extent to which the Postal Service expects the “Forever Stamp” to become the “workhorse” postage stamp for one-ounce letters that most customers will purchase and use on their mail, regardless of whether a postage-rate increase is imminent.

RESPONSE

Please see the response to DBP/USPS-353.

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DFC/USPS-T48-5. Please discuss how often the Postal Service expects to issue new designs of a “Forever Stamp” (e.g., more than once per rate cycle, only when the rates change, never, etc.).

RESPONSE

Please see the responses to DBP/USPS-327 and DBP/USPS-328.

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DFC/USPS-T48-6. Please provide the text and numerals that will be printed on a
“Forever Stamp.”

RESPONSE

Please see the responses to DBP/USPS-327 and DBP/USPS-328.

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DFC/USPS-T48-7. Please discuss the extent to which foreign postal administrations will accept a “Forever Stamp” as evidence of postage payment.

RESPONSE

The Postal Service does not expect foreign postal administrations to accept a “Forever Stamp” as evidence of postage payment. Please see the responses to DBP/USPS-334, DBP/USPS 335, DBP/USPS-340 and DBP/USPS-341 for applicability of the “Forever Stamp” to various classes of U.S. mail.

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DFC/USPS-T48-8. Please confirm that the Postal Service did not discuss any aspects of the “Forever Stamp” proposal with any individual postal customers who regularly participate in proceedings at the Postal Rate Commission representing themselves.

RESPONSE

Confirmed. However, the Postal Service discussed the proposal with the Office of the Consumer Advocate, which is charged with the responsibility of representing the interests of the general public in proceedings before the Commission.

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DFC/USPS-T48-9. Aside from the telephone market research described in your testimony, please discuss the extent to which the Postal Service discussed the proposed “Forever Stamp” with members of the public in their capacity as individuals, not as employees of an organization with whom the Postal Service wished to communicate.

RESPONSE:

Please see the response to DFC/USPS-T48-8.

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DFC/USPS-T48-10. Why does the Postal Service believe that a “Forever Stamp” is preferable to the idea described in your testimony at pages 8–9 to provide customers with 10 free postage stamps prior to each rate increase?

RESPONSE:

The Forever Stamp is a more dynamic approach. It has value not only in making up the postage shortfall after a rate increase, but also as a hedging instrument against future rate increases. Make-up stamps, in contrast, only have value in making up a postage shortfall.

Perhaps even more importantly, the Forever Stamp relies on the efficiency of market mechanisms. Mailers can purchase Forever Stamps according to their demand for the product — whether related to the desire to make up a postage shortfall after a rate increase, or to the desire to hedge against future rate increases. Mailing out a set number of make-up stamps to all households, on the other hand, is an administered solution that is certain to result in some inefficiencies. For example, most households are likely to receive either more or fewer make-up stamps than the actual number they need. This implies an inefficient allocation of resources. Moreover, when the make-up stamp allocation is not sufficient, mailers will be required to initiate additional stamp transactions in order to satisfy their demand for make-up postage.

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DFC/USPS-T48-11. Please provide the average number of letters that an individual American postal customer mails each month, the average number of letters that a United Kingdom postal customer mails each month, and the average number of letters that a French postal customer mails each month.

RESPONSE:

The Postal Service lacks sufficient information to accurately respond to this interrogatory.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
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DFC/USPS-T48-12. Please explain why the Postal Service proposes to begin selling the “Forever Stamp” at the new rate, currently proposed to be 42 cents, prior to the implementation of the 42-cent rate.

RESPONSE:

Please see the response to DBP/USPS-345.

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DFC/USPS-T48-13. Please explain why customers would benefit from sales of the “Forever Stamp” prior to the implementation of the proposed 42-cent postage rate more than they would benefit from sales of a regular, denominated or non-denominated, 42-cent stamp prior to the implementation of the proposed 42-cent rate.

RESPONSE:

Beyond providing — like a denominated or non-denominated 42-cent stamp — postage at the new rate, the Forever Stamp also has value as a hedge against future rate increases. Its value escalates to always equal the prevailing rate on the first ounce of single-piece First-Class Mail letters.

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DFC/USPS-T48-14. Suppose the Commission does not recommend approval of the “Forever Stamp” soon enough to permit the Postal Service to implement the “Forever Stamp” before the proposed 42-cent rate takes effect. Please explain why this delay would be undesirable for postal customers.

RESPONSE:

Postal customers would not have lead time to purchase the Forever Stamp before the new rate takes effect. Please see the response to DBP/USPS-345[f]. Note, too, in the response to DBP/USPS-345[a], that the Postal Service hopes to dispense with the need for a non-denominated stamp at the new rate because the Forever Stamp can fill that role.

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DFC/USPS-T48-15. Please refer to your testimony at page 18, line 5. Why does the proposed Schedule 221 note use the word “price”?

RESPONSE:

Price is synonymous with rate.

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DFC/USPS-T48-16. Please refer to your testimony at page 17, lines 9–11.
Please define “prevailing rate.”

RESPONSE:

The contemporaneous first-ounce rate for single-piece First-Class Mail letters.

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DFC/USPS-T48-17. Please explain how the plan described at page 19, fn. 12 to sell “Forever Stamps” at 42 cents prior to implementation of the 42-cent rate would be consistent with proposed DMCS section 241.

RESPONSE:

Please see the responses to DBP/USPS-344 and DBP/USPS-345.

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DFC/USPS-T48-18. Does the Postal Service envision a future in which many stamp designs, and perhaps even commemorative stamps, will be issued as “Forever Stamps”?

RESPONSE:

Please see the responses to DBP/USPS-327, DBP/USPS-328 and DBP/USPS-362.

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DFC/USPS-T48-19. If the “Forever Stamp” proposal is implemented, does the Postal Service expect that most customers will purchase the “Forever Stamp” instead of other postage stamps? If not, why would customers have an incentive not to purchase “Forever Stamps”?

RESPONSE:

Please see the responses to DBP/USPS-348, DBP/USPS-349, DBP/USPS-351 and DBP/USPS-353.

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DFC/USPS-T48-20. Suppose the “Forever Stamp” is implemented. When customers visit a retail window clerk and ask for a “book of 20 stamps,” will the Postal Service typically sell “Forever Stamps” to these customers, perhaps without further discussion or questioning?

RESPONSE:

The Postal Service cannot predict what will be “typical” in the future. However, the Forever Stamp will not be sold to the exclusion of other stamps, both denominated and non-denominated. Therefore, it is possible that the retail window clerk will need additional information from the customer to fulfill the request.