

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 GREETING CARD ASSOCIATION WITNESS
JAMES A. CLIFTON (DMA/GCA-T-1-1-6)

(September 13, 2006)

Pursuant to sections 25 and 26 of the Rules of Practice, Direct Marketing Association directs the following interrogatories to Greeting Card Association witness James A. Clifton (GCA-T-1).

Respectfully submitted,

Dana T. Ackerly II
Counsel for Direct Marketing
Association
Covington & Burling LLP
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
Tel: 202-662-5296
Fax: 202-778-5296
email: dackerly@cov.com

DIRECT MARKETING ASSOCIATION INTERROGATORIES TO GCA WITNESS JAMES
A. CLIFTON, GCA-T-1

DMA/GCA-T-1-1. Please assume for the purpose of responding to this interrogatory that your proposed rates for First-Class Single-Piece Letter Mail were accepted by the Postal Rate Commission.

- a) How much revenue would be lost in First-Class Single-Piece Letter Mail as compared to the rates proposed by the Postal Service?
- b) Please calculate the implicit coverage for First-Class Single-Piece Letter Mail under your proposed rates.
- c) Please calculate the average rate increase for First-Class Single-Piece Letter Mail under your proposal.
- d) Please confirm that you propose collecting the revenue lost from First-Class Single-Piece Letter Mail from Standard Regular Mail.
- e) Please calculate the coverage for Standard Regular Mail under your proposal.
- f) Please calculate the average rate increase for Standard Regular Mail under your proposal.
- g) Do you have recommendations as to how the increase in Standard Regular Mail rates should be distributed among letters, flats, and parcels? If so, please provide them and your rationale.
- h) Does your proposal apply to all shapes in First-Class Single-Piece Letter Mail or only to a selected set of shapes? If only to a selected set, please specify the shapes to which it applies.

DMA/GCA-T-1-2. Please assume that the Postal Rate Commission accepted your proposal for First-Class Single-Piece Letter Mail, but also decided that the overall coverage for First-Class Mail Letters as proposed by the Postal Service was correct.

- a) Please confirm that this would result in an increase in rates for Presort Letters.
- b) Please confirm that you have sponsored testimony on behalf of the American Banker's Association in this case.
- c) Please confirm that banks use First-Class Presort Mail for both operational and marketing purposes.
- d) Would banks that use First-Class Presort Mail for statement and marketing pay increased postage under this scenario?

- e) Do you believe that banks would be pleased with this outcome? Please explain any affirmative answer.

DMA/GCA-T-1-3. Please assume that the Postal Rate Commission accepted your proposal for First-Class Single-Piece Letter Mail to reduce the price by a penny, shifting the resulting burden to Standard Regular.

- a) Please confirm that banks also use Standard Regular Mail for marketing mail. If you are unable to do so, you may wish to refer to various NSA testimony in which banks discuss their use of Standard Regular Mail for marketing.
- b) Do you believe that banks would be pleased with this outcome? Please explain any affirmative answer.

DMA/GCA-T-1-4. Please consider how banks market their credit cards ...

- a) As an economist, would you agree that it would be rational for them to evaluate the efficiency of alternative marketing channels? Please fully explain any disagreement.
- b) As an economist, would you agree that if prices of Standard Regular Mail increase relative to the prices of alternative marketing channels, some marketing will shift to the alternatives, all else being equal?

DMA/GCA-T-1-5. You estimate the elasticity of First-Class Single-Piece Letter Mail to be -0.456. GCA-T-1 at 3.

- a) Please confirm that if some segments of this mail stream are more elastic than this, others must be less elastic. If you do not confirm, please explain fully.
- b) Please confirm that if rates increased from their current level to 43 cents and your elasticity is correct, Postal Service revenues would increase all else being equal. If you do not confirm, please explain fully.
- c) Please confirm that if rates increased from their current level to 43 cents and your elasticity is correct, Postal Service costs would decrease all else being equal. If you do not confirm, please explain fully.
- d) Please confirm that with increased revenues and decreased costs, the contribution to overhead would increase all else being equal. If you do not confirm, please explain fully.

DMA/GCA-T-1-6. Your testimony seems to suggest that based on the elasticities you estimate for Standard Regular Mail and First-Class Single-Piece Letter Mail, the Rate Commission should reduce the Postal Service's proposed rate by one cent for First-Class Single-Piece Letter Mail and increase Standard Regular Mail rates to offset the revenue leakage.

- a) Please confirm that this is an accurate representation. If you do not confirm, please provide cites to your testimony that explain why you do not confirm.
- b) Do you believe that the Postal Rate Commission should consider all the pricing factors of the Act in setting rates?
- c) Is there a pricing factor that deals exclusively with price elasticity? If so, please provide a citation to it.
- d) Please provide any example of an instance when the Postal Rate Commission based its recommended coverage for classes or subclasses exclusively on the basis of the elasticities for these classes and subclasses.
- e) To the best of your knowledge, did the Postal Service ever propose Ramsey prices in rate cases? If so, please explain why and when it stopped doing so.