

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

---

POSTAL RATE AND FEE CHANGES, 2006

---

Docket No. R2006-1

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS  
TO OFFICE OF THE CONSUMER ADVOCATE WITNESS CALLOW  
(USPS/OCA-T5-2-5)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Office of the Consumer Advocate witness Callow:  
USPS/OCA-T5-2 to 5.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

---

David H. Rubin

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2986; Fax -6187  
September 14, 2006

**USPS/OCA- T5-2.** On page 17, lines 14-17, of your testimony, you state:

Consequently, Platinum subscribers were assigned the largest fee increase of \$9,500, representing an increase of 95 percent. I assume such an increase will have little or no effect on the number of Platinum subscribers.

Witness Mitchum has noted that 29 of the 45 current Platinum subscription holders would pay less under the Postal Service's proposed fee schedule. Tr. 14/3976. As you note in your testimony on page 8, lines 12-14, these represent those 29 subscribers that use fewer than 169 million units (or as noted in witness Mitchum's response to OCA/USPS-T40-57, an equivalent of 60,357,167 scans).

(a) Please confirm that, under your proposal, each of these 29 subscribers could become Gold subscribers for \$5,200, and obtain 62 million scans by buying two additional blocks of scans for \$750 each, for a total fee of \$6,700 dollars. If you do not confirm, please explain why not.

(b) Please explain how your assumption that there will be "little or no effect on the number of Platinum subscribers" took into consideration that, under your proposal, 29 current Platinum subscribers could save at least \$12,800 by choosing a Gold subscription, rather than a Platinum subscription.

(c) Please confirm that a Gold subscription with 114 million additional scans (164 million total) would cost \$19,500. If you do not confirm, please explain why not.

(d) Please confirm that a potential Confirm user who was planning to use fewer than 164 million scans would have a lower total fee if they chose a Gold subscription rather than a Platinum subscription.

(e) Please explain how your assumption that there will be "little or no effect on the number of Platinum subscribers" took into consideration an opportunity to

save money by getting a Gold subscription and purchasing additional scans, for a subscriber expecting to use fewer than 164 million scans.

(f) Given that a Gold subscription can be upgraded to a Platinum subscription for the remainder of the subscription period, simply by paying the difference of the respective subscription fees (DMM 503.13.3.2(b)(3)), do you think that, except for subscribers who are confident of using at least 164 million scans, subscribers would choose the Gold subscription initially and upgrade only if it becomes clear they are going to be using more than 164 million scans?

(g) Please explain how your assumption that there will be “little or no effect on the number of Platinum subscribers” took into consideration the opportunity for a subscriber to choose a less expensive Gold subscription initially, and upgrade only when they determine that they will be using enough scans to make a Platinum subscription less expensive.

### **USPS/OCA-T5-3.**

(a) Please assume that the 29 existing Platinum subscribers that use fewer than 61 million scans choose to become Gold subscribers at a total price of \$6,700 (\$5,200 Gold subscription fee which includes 50 million scans, and two additional blocks of 6 million scans for \$750 each), realizing a savings of \$12,800 over your proposed Platinum subscription fee of \$19,500. If these subscribers choose the lower priced option, what would be the effect on your total revenue for Confirm service? Please provide all calculations.

(b) Please confirm that the Platinum subscription fee under your proposal would need to be increased to in excess of \$42,500 to attain a cost coverage of 127.3 percent, if all but 16 Platinum subscribers chose Gold subscriptions (45 existing

Platinum subscribers less 29 subscribers migrating to the Gold tier in part (a)), and the fees for the Silver and Gold subscriptions remained unchanged from your proposal. If you do not confirm, please explain why not.

**USPS/OCA-T5-4.** On page 17, lines 9-12, of your testimony you state that the Postal Service estimates no loss in the number of Gold subscribers. Please confirm that the Postal Service proposal eliminates the three subscription tiers, and therefore does not “estimate no loss of Gold subscribers,” and assumes only that overall there will continue to be 180 subscribers. See witness Mitchum’s responses to OCA/USPS-T40-17 and 18 (Tr. 14/3938-40). If you are unable to confirm, please explain why not.

**USPS/OCA-T5-5.** Please refer to your testimony at page 17, lines 17-20, where you state:

a \$9,500 fee increase relative to total postage costs in the millions or hundreds of millions of dollars annually is quite small when amortized over millions of mailpieces.

(a) Please explain in more detail how this 95 percent increase is “quite small,” including what you mean by the reference to “amortized over millions of pieces.”

(b) In the context of total postage costs, would a \$29,500 fee increase also be “quite small?”

(c) How large could the fee increase for Platinum subscribers be before you would not consider it to be “quite small?”