

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-T5-6-16)

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-T5-6 to 16.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 18, 2006

USPS/OCA-T5-6.

(a) Please confirm that Attachment 1 of your testimony assumes that a Silver subscriber must use all 15 million scans included in a 3-month subscription before purchasing another subscription. If you do not confirm, please explain why not.

(b) Please confirm that a Silver subscriber need not use all 15 million scans included in a 3-month subscription before purchasing another subscription. If you do not confirm, please explain why not.

(c) Please confirm that a Silver subscriber could use 100,000 scans in each of four consecutive three 3-month subscription periods. If you do not agree, please explain why not.

(d) Does your testimony on pages 7 and 8 recognize that Silver subscribers need not use all 15 million scans included with their subscription before purchasing a subsequent subscription. If it does, please explain how.

USPS/OCA-T5-7.

(a) Please confirm that a Silver subscriber who purchases four consecutive Silver subscriptions in a single year could save as much as \$3,000 under the Postal Service's proposal, which is a 37.5 percent fee reduction compared to either the existing pricing structure or your proposal. If you do not confirm, please explain why not.

(b) Please confirm that your testimony on pages 7 and 8 incorrectly calculates the possible savings for Silver subscribers under the Postal Service's proposal. If you do not confirm, please explain why not.

USPS/OCA-T5-8.

In witness Mitchum's response to Presiding Officer's Information Request No. 12, Question 6, he noted that during a 12 month period (February 1, 2005 to January 31, 2006), three subscribers purchased 4 consecutive quarterly subscriptions. Please confirm that under the Postal Service's proposal these subscribers would pay less than under current fees (or under your proposed fees), unless they use more than 77 million units (or 27,500,011 scans, assuming that on average there are 357,143 scans per million units, as derived in OCA/USPS-T40-29). If you do not confirm, please explain why not, and provide all supporting calculations.

USPS/OCA-T5-9.

Please confirm that the headings in cells Z8 and AA8 in the "USPS Comps Gold&Plat" worksheet of Attachment 1 to your testimony are not correct, and please provide corrected headings.

USPS/OCA-T5-10.

(a) Please confirm that under the Postal Service's proposal a Confirm user will be able to purchase an annual subscription and 711 additional blocks of one million

units (for a total of 712 million units) for less than \$19,500. If you do not confirm, please explain why not, and provide all supporting calculations.

(b) Please confirm that 712 million units equates to more than 254 million scans, using the 357,143 scans per block of one million units factor, as derived in witness Mitchum's response to OCA/USPS-T40-29. If you do not confirm, please explain why not, and provide all supporting calculations.

USPS/OCA-T5-11. Please confirm that under the Postal Service's proposal the total price for the average subscriber to purchase 164 million scans would be \$15,080, where the annual fee is \$5,000 and 459 additional blocks of units would cost \$10,080. If you do not confirm, please explain why not, and provide all supporting calculations.

USPS/OCA-T5-12.

Please confirm that cell AD9 in the "USPS Comps Gold&Plat" worksheet of Attachment 1 to your testimony should be \$25,000, not \$5,000.

USPS/OCA-T5-13.

The OCA's counsel during oral cross examination of witness Mitchum suggested that at least two resellers might be able to build their business under the current pricing structure so that they use 10 billion scans. Tr. 14/4159. The Postal Service estimates that there will be a total of 10 billion scans in the test year for all subscribers combined. See witness Mitchum's response to PB/USPS-T40-2(b).

(a) Do you think it is likely that, as these two resellers approach 10 billion annual scans each, some of these additional scans would result from other subscribers switching to the resellers instead of subscribing to Confirm? Please provide a detailed response explaining your expectation.

(b) If the number of existing Confirm subscribers were to decrease because some subscribers switched to a reseller, would the revenue projections under your proposal be affected? Please fully explain your answer, describing the impact on the revenue estimate.

USPS/OCA-T5-14.

Assume a Platinum subscriber who uses 200 million scans a year were to stop subscribing to Confirm service, and instead begin using a reseller for their Confirm needs.

(a) Please estimate the revenue impact this would have for Confirm service under your proposal.

(b) Please confirm that the revenue impact would be less under the Postal Service's proposal. If you do not confirm, please explain why not and provide calculations.

USPS/OCA-T5-15.

Please refer to your testimony at page 17, lines 17-20, where you state that 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 confirm that it is reasonable to assume that the number of scans used by Platinum subscribers varies greatly (from less than 50 million to nearly a billion) among the 45 existing subscribers. If you do not confirm, please explain why not.

(b) Hypothetically, let's say there are four Platinum subscribers: the first uses 51 million scans, the second uses 164 million scans, the third 1 billion scans, and the fourth 10 billion scans. Please confirm separately for each of these four users that, as noted in your testimony on page 17 lines 17-20, the \$9,500 increase is "quite small" when amortized over the pieces mailed. For each user for which you do not confirm, please provide a detailed explanation as to why not.

(c) Please confirm that the following table accurately portrays these subscribers' average prices per million scans under your proposal. If you do not confirm, please explain why not.

Millions of Scans Used	Average Price per Million Scans
51	\$382.35
164	118.90
1,000	19.50
10,000	1.95

(d) Please explain how it is fair and equitable to charge a mailer who uses 51 million scans more than 198 times more per scan on average than a customer who uses 10 billion scans.

(e) Please confirm that the following table accurately portrays these subscribers' average prices per million scans under the Postal Service's proposal. If you cannot confirm please explain why not.

Millions of Scans Used	Average Price per Million Scans
51	\$186.91
164	91.95
1,000	56.03
10,000	49.70

(f) Please confirm that under the Postal Service's proposal the subscribers using 51 million or 164 million scans would pay less per million scans and in total fees than under your proposal. If you do not confirm, please explain why not.

(g) Please confirm that under the Postal Service's proposal the average price for a million scans for a subscriber using 51 million scans would be less than 4 times the average price for a million scans for a subscriber using 10 billion scans.

USPS/OCA-T5-16.

One reason cited by witness Mitchum for using units in his proposed fee schedule, rather than scans, is to facilitate inclusion of different types of scan information in the future, for example, information from manual scans of containers. USPS-T-40 at 16-17.

(a) Please describe how your proposal addresses the potential for introducing manual scans of containers into Confirm service? If it is not addressed, please explain why not.

(b) Is it your opinion that manual scans of containers should be included in the Platinum tier of your proposal, at no additional charge? Please explain.

(c) Is it your opinion that a manual scan of a container of mail should be priced the same as a passive scan on a letter for Gold and Silver subscribers under the fee structure in your proposal? Please explain.