

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 GRAYHAIR SOFTWARE WITNESS BELLAMY
(USPS/GHS-T1-3-14)

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 GrayHair Software witness Bellamy: USPS/GHS-T1-3 to 14.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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USPS/GHS-T1-3.

You claim that GHS would sustain significant harm if the Postal Service proposal for pricing Confirm service is adopted (GHS-T-1 at 2).

(a) If your claim is supported by any expectations of costs or losses for GrayHair Software, please identify and quantify each source while explaining how you develop your estimates.

(b) How do any of the significant sources of harm identified in response to part (a) compare in magnitude to GHS revenues?

(c) If you are unable to quantify your claim of significant harm, please describe in detail each qualitative form of significant harm you expect if the Postal Service pricing proposal for Confirm service is adopted.

USPS/GHS-T1-4.

(a) How much did GHS pay the Postal Service for Confirm service in GHS' last complete fiscal year?

(b) If the OCA proposal for pricing Confirm service is implemented, please estimate how much GHS will pay the Postal Service for Confirm service in the first year under the new prices.

(c) Please estimate how much GHS would pay if instead the Postal Service proposal is implemented.

USPS/GHS-T1-5.

You assert that the value of Confirm service is sufficient that GHS and other Platinum Confirm subscribers "will readily pay for increased fees for subscriptions" (GHS-T-1 at 3), and that "Confirm service is essential to mailers" (GHS-T-1 at 15).

(a) Does this mean that Confirm service has a high value of service to GHS? Please explain fully.

(b) Does this mean that Confirm service has a high value of service to other Platinum subscribers? Please explain fully.

(c) Please explain how that value of service manifests itself in GHS' business model. In other words, how does your business model take advantage of what Confirm service provides to GHS?

USPS/GHS-T1-6.

You claim that "per-scan charges [] will limit the market" for Confirm service (GHS-T-1 at 3).

(a) Do you think that per-scan charges will discourage resellers from seeking out additional customers?

(b) Would the proposed ability to postpone the purchase of additional units until you have signed a new customer provide additional flexibility when expanding your business in the future? Please explain fully.

(c) Please confirm that it is possible that the flexibility discussed in part (b) could benefit other customers, whether reseller or direct user. If you do not confirm, please explain completely.

USPS/GHS-T1-7.

You express concern about offsetting the startup costs of going into the Confirm business (GHS-T-1 at 3-4).

- (a) How much were GHS' startup costs?
- (b) How much of the startup costs have been recovered to date?
- (c) Have you made a profit each year since your business began (after considering depreciation or other expense related to startup costs)? Please provide a full response for each year of operation.

USPS/GHS-T1-8.

You recognize that the Postal Service market research for Confirm accurately predicted the existence of a resellers market, and that the Postal Service has created markets in the past (drop shipment being one example (GHS-T-1 at 5-6).

- (a) Is it your understanding that one purpose of the Postal Service proposal for Confirm service was to "prohibit resellers"? Please explain fully.
- (b) Does the Postal Service Confirm proposal "arbitrarily intervene [to] prohibit resellers"? Please explain fully.

USPS/GHS-T1-9.

- (a) How does GHS view the introduction of the 4-state barcode for Confirm service?
- (b) Does it constitute an additional market opportunity? Please explain fully.
- (c) Would GHS have preferred not to see its introduction? Please explain fully.
- (d) Please explain your views of what the 4-state barcode may provide to Confirm customers, including GHS, and to the Postal Service.

USPS/GHS-T1-10.

Please refer to your testimony on page 14, lines 7-21.

- (a) Please explain the basis of your understanding that Confirm is a "service that has no purpose except in the context of a mailer having provided mail pieces to the Postal Service already, and being concerned with their delivery being as consistent and reliable as possible."
- (b) This quotation seemingly indicates that the value of Confirm service derives solely from its use as a tool to inform mailers about the consistency and reliability of delivery. Is this your intended meaning? If not, please explain fully.

USPS/GHS-T1-11.

You state on page 16 of your testimony that GHS expects to receive more than one billion scans during 2006.

- (a) How many scans has GHS received so far in 2006 (or as of a date you specify)?
- (b) When does 2006 end for purposes of aggregating the billion scans?
- (c) How many scans will GHS get in a 12-month period assuming;
 - i) the Postal Service proposal is implemented, or
 - ii) the OCA proposal is implemented?

USPS/GHS-T1-12.

In the paragraph beginning on line 16 of page 16 of your testimony, you claim that internet pricing “requires that there be at least one level of service with the unlimited option.”

- (a) Can you cite to any authoritative sources that share your view?
- (b) If so, please identify each source, and explain how it drives your conclusion about the necessity for an unlimited option.
- (c) Why does the principle of “internet pricing” apply to Confirm service? Please explain fully.

USPS/GHS-T1-13.

Please refer to the paragraph on page 17, lines 8-13, of your testimony.

- (a) Why do you believe that the Postal Service should ignore the fact that scans for which it imposes no direct or marginal charge are used to generate a substantial revenue stream for the recipient of those scans?
- (b) In particular, why do you believe that the Postal Service should ignore that revenue stream when its own revenue for the service does not cover costs?

USPS/GHS-T1-14.

Please refer to the paragraphs on page 17, lines 8-22, and your Conclusion on page 22 of your testimony.

- (a) Please confirm that witness Mitchum presents the Postal Service proposal for Confirm service and accordingly represents the Postal Service in this proceeding. If you do not confirm, please explain completely.
- (b) Please confirm that the “pricing department,” as you characterize it, represents the Postal Service in this proceeding, and not its own interests. If you do not confirm, please explain completely.
- (c) On what legal or factual grounds do you base your opinion that the “pricing department” is making its independent proposals in this docket? Please be specific and respond fully.