

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO
PITNEY BOWES INC. WITNESS BUC (PB-T-3)
(USPS/PB-T3-12 THROUGH 18)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service directs the above-referenced interrogatories to Pitney Bowes, Inc. witness Lawrence Buc (USPS-T-3).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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USPS/PB-T3-12 Please refer to Table 1 in your testimony (PB-T-3) which shows that 84 percent of base year stamp sales were conducted through window transactions. Please confirm that a percentage of those sales would have involved multiple activities (e.g., a customer purchased stamps and also mailed a Priority Mail parcel) such that the costs for that specific transaction would not have been incurred solely due to stamp sales. If not confirmed, please explain.

USPS/PB-T3-13 Please explain, on fairness and equity grounds, why the Commission should recommend that a postage evidencing discount be extended to single-piece First-Class Mail with permit indicia, but not be extended to other mail classes in which mail pieces also bear permits (e.g., First-Class presort mail, Periodicals, Standard Mail, etc.).

USPS/PB-T3-14 Table 1 of your testimony (PB-T-3) shows that there are several non-window stamp distribution channels currently available to the general public. Despite that fact, 84 percent of the general public purchases stamps through window transactions. At PB-T-3, page 6, at lines 6-7 you state, "lines will continue to be longer than necessary." At PB-T-3, page 6, lines 14-14, you state that "these discounts [that you propose] would be available to mailers of small volumes of mail so long as the postage evidencing did not take the form of stamps purchased at USPS windows." On page 8, line 13 you propose a discount of 0.1 cent.

(a) On page 7, lines 1 to 2 you indicate that you proposed discount could be extended to some non-window retail stamp transactions in the future beyond the

test year. Please confirm that in the instant proceeding, your proposal only applies to the following postage evidencing methods in the test year: PC Postage, permits, and postage meters. If not confirmed, please explain.

- (b) Please explain how the extension of your proposed discount to mail pieces bearing PC Postage, permits, or meter strips would reduce lines in retail lobbies during the test year.
- (c) Please confirm that, if your proposed discount were approved and extended to some non-window stamp distribution channel purchases in the test year, the savings for a book of 20 stamps would be 2 cents (0.1 cents/stamp x 20 stamps). If not confirmed, please explain.
- (d) If your discount proposal were extended to stamp book purchases made through alternative retail distribution channels in the test year, what percentage of test year postal retail window stamp book purchase transactions do you estimate would shift to those alternate channels as a result of a 2-cent per book discount. Please explain your answer.

USPS/PB-T3-15 Have you or anyone else associated with or on behalf of Pitney Bowes or PSI conducted any market research studies related to the discount proposal in PB-T-3 or any other similar indicia-based postal rate discount proposal since Docket No. R2000-1? If so, please provide copies of all documentation related to those studies.

USPS/PB-T3-16 On page 8, line 18 of PB-T-3, you indicate that the revenue leakage would be less than \$19 million.

- (a) Please provide the detailed basis for that estimate, including the test year volumes for the various mail types to which the discount would be extended.
- (b) In PB-T-3, on page 4, lines 1-2, you state that "the unit attributable cost will likely approach 2 cents." In your PB-T-2 testimony on page 4, lines 8 to 10 you state, "The Efficient Component Pricing Rule is the principle that states the discounts mailers receive for performing this work should be set at a level equal to the per unit avoided cost of the Postal Service." Please explain why the ECPR should not be applied to your proposed postage evidencing discount.
- (c) Please recalculate the leakage from part (a) if the proposed discount were 2 cents, rather than 0.1 cents.
- (d) Please recalculate the leakage from both parts (a) and (c) if the discount were to be extended to all mail pieces bearing permits, regardless of class.

USPS/PB-T3-17

Assuming approval of your PB-T-3 proposal, please confirm that mailers currently using PC Postage, postage meters, and permit indicia would be extended the proposed discount without being required to change their behavior in any way that would generate cost savings to the Postal Service. If not confirmed, please explain.

USPS/PB-T3-18 In Docket No. R2000-1, E-Stamp and Stamps.com proposed discounts for PC Postage mail pieces.

- (a) Please confirm that in Docket No. R2000-1, the Commission recommended a shell classification in response to these PC Postage discount proposals, which was subsequently rejected by the USPS Governors. If not confirmed, please explain.
- (b) Please confirm that the cost basis for these proposed discounts was related to the presence of a barcode on the PC Postage mail pieces. If not confirmed, please explain.
- (c) Please confirm that your Docket No. R2006-1 PC Postage discount includes no mail processing savings estimate associated with the presence of a barcode. If not confirmed, please explain.