

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
MBI I INC. WITNESS WILBUR
(USPS/MBI-T1-1-4)

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 MBI Inc. witness Wilbur.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Sheela A. Portonovo

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3012 Fax -6187
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USPS/MBI-T1-1 Please refer to the first paragraph of the second page of your testimony where you state, “We are also not protesting their cost calculations or their policy of motivating their constituents’ behavior by addressing rate structures.”

a. Please confirm that the Postal Service has, in this docket, provided testimony that mail pieces shaped as are your collectibles have some operational characteristics and cost characteristics that are more consistent with those of parcels pieces than with those of machinable flats. (See, for example, the testimonies of witnesses McCrery, USPS-T-42; Coombs, USPS-T-44; Kiefer, USPS-T-36; and Miller, USPS-T-20.)

b. Please confirm that had the Postal Service proposed that mail pieces such as yours, which share operational characteristics and cost characteristics with parcels, be defined directly into the parcel classification, the rate increase that you would have received would have been larger than what you have calculated you face under the instant proposal. If you do not confirm, please explain.

c. Is it your understanding that, with the rate increase of the size you have noted your pieces will incur under the Postal Service’s proposal, the Postal Service will be receiving sufficient revenue to cover the cost of handling your pieces and permit them to provide contribution to institutional cost?

d. If your response to part c is affirmative, should the Commission, in setting lower rates as you request, ensure that the rates are sufficient to provide contribution to institutional cost?

USPS/MBI-T1-2 Please refer to the second paragraph of the second page of your testimony where you state, “Even if this price hike were to be applied in stages over three to five years, the rate of increase would still be well in excess of inflation”.

a. Please confirm that “inflation” is generally understood to represent the growth in prices of a weighted basket of goods and services. If you do not confirm, please explain the definition of “inflation” that you wished to convey in your testimony.

b. Please confirm that, at any given point in time, the process of “de-averaging” the prices for a set of services or products that had previously been grouped together may result in some services receiving a higher price increase than other services within the original group. If you do not confirm, please explain.

- c. If you confirmed part b above, please confirm that the increase observed for the first subgroup of services described above would not be a result of “inflation”. If you cannot confirm, please explain.

USPS/MBI-T1-3 Please refer to your testimony where you state “Further, while we can factor the postage rate increase into our cost structure and raise our pricing proportionally in *future* advertising, we cannot alter the terms under which our existing customers are enrolled in their collectible series and these represent the lion’s share of our shipments for the next several years.”

- a. Please provide the total number of existing customers enrolled in a collectible series, broken down by the number of existing customers that are currently enrolled in their collectible series through the next year, through the next two years, and through the next three years.
- b. Please provide more detail on the nature of the enrollment agreement typically used for a collectible series, including the term length and any clauses related to term modification. If there is not an enrollment agreement, please fully explain why “[MBI, Inc.] cannot alter the terms.”
- c. Please provide the shipping and handling costs charged to customers that are enrolled in a collectible series.
- d. Are the shipping and handling charges in subpart (c) limited by the enrollment agreement discussed in subpart (b) or in any other way? Please explain fully.

USPS/MBI-T1-4 Please refer to your testimony where you state “MBI, Inc. primarily sells collectibles.”

- a. Please list all other types of business your company engages in, or other items that your company sells.
- b. For each business or item listed in subpart (a), please discuss your company’s ability to raise prices in those areas in order to help absorb cost increases in MBI’s collectibles business.
- c. Please provide a breakdown of the different types of collectibles sold by MBI, Inc., their approximate size and shape, the mailpiece used, and any additional packaging enclosed by MBI, Inc. (bubble wrap, Styrofoam, paper, etc.).