

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes,
2006

)
)

Docket No. R2006-1

FIRST INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION
AND NATIONAL ASSOCIATION OF PRESORT MAILERS
TO PITNEY BOWES WITNESS PANZAR (ABA/NAPM/PB-T1-1-2)
(October 4, 2006)

Pursuant to sections 25, 26 and 27 of the Commission's rules of practice, ABA and NAPM direct the following interrogatories to Pitney Bowes Inc. witness John C. Panzar (PB-T-1). If the witness cannot answer a question or subpart, we request that Pitney Bowes answer through another witness or an institutional response.

Respectfully submitted,

Gregory F. Taylor
AMERICAN BANKERS ASSOCIATION
1120 Connecticut Ave., N.W.
Washington, DC 20036
(202) 663-5028
GTaylor@aba.com

David M. Levy
Paul A. Kemnitzer
SIDLEY AUSTIN LLP
1501 K Street, N.W.
Washington, DC 20005-1401
(202) 736-8000
dlevy@sidley.com

Robert J. Brinkmann
Irving Warden
1101 17th Street, N.W. Suite 605
Washington, D.C. 20036
(202) 331-3037
robert.brinkmann@rjbrinkmann.com
wardenlaw@comcast.net

*Counsel for National Association of
Presort Mailers*

*Counsel for the American Bankers
Association*

ABA-NAPM/PB-T1-1. In your testimony (PB-T-1), you include a discussion of the application of Efficient Component Pricing Rule (ECPR) to postal ratemaking.

At page 18, you affirm the familiar efficiency properties of the ECPR:

Fortunately, the efficient "make or buy" negotiations described above can be decentralized using ECPR-based worksharing discounts set equal to the per unit avoided costs of the Postal Service.

Under the ECPR, is the correct measure of avoided costs the full cost difference (due to both worksharing and non-worksharing factors) rather than the cost avoidance due exclusively due to worksharing factors? Please explain.

ABA-NAPM/PB-T1-2. At pages 35-39 of your testimony (PB-T-1), you describe some issues related to the calculation of cost avoidance due to the heterogeneity of workshared mail. At the end of this section, you state that:

From this perspective, the current Postal Service proposal to de-link single piece and workshared First-Class letters should be viewed as a means of decreasing the heterogeneity discussed above.

Please explain further how the de-linking proposal would decrease the heterogeneity of First-Class Mail, and what effect that would have on efficient pricing.