

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes,
2006

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Docket No. R2006-1

**FOLLOW UP INTERROGATORIES OF
NATIONAL ASSOCIATION OF PRESORT MAILERS
TO APWU WITNESS KOBE
(NAPM/APWU-T1-7-9)
(October 6, 2006)**

Pursuant to sections 25, 26 and 27 of the Commission's rules of practice, NAPM directs the following follow up interrogatories to American Postal Workers Union, AFL-CIO, witness Kathryn L. Kobe (APWU-T-1). If the witness cannot answer a question or subpart, we request that APWU answer through another witness or submit an institutional response.

Respectfully submitted,

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NAPM/APWU-T1-7. Please refer to NAPM-T1-1, part c, which asked you to explain the circumstances under which you would endorse discounts that exceed or are smaller than avoided costs. You responded in part (emphasis added):

For a new discount and for any discount where the costs are difficult to determine, the Postal Service should err on the side of a smaller pass through *because once a discount is in place it is very hard to reduce.*

a. Are any of the marginal discounts you propose for First-Class Automation Letter Mail smaller than the current discounts?

b. Please confirm that the current marginal discount for First-Class 3 Digit Automation Mail is 0.9 cents. Please fully explain any failure to confirm without qualification.

c. Please confirm that the Postal Service has proposed a marginal discount for First-Class 3 Digit Automation Mail of 0.4 cents per piece. Please fully explain any failure to confirm without qualification.

d. Do you contend that the Commission has failed to reduce existing presort discounts when the record has warranted? If so, please identify each instance during the past ten years.

NAPM/APWU-T1-8. Please refer to NAPM/APWU-T1-6, part b, where you were asked to confirm that if Single-Piece First-Class letter rates were deaveraged across the set of characteristics defining “clean” mail and “dirty” mail and rates were set to comport with the Efficient Component Pricing Rule, the per-unit

contribution for “clean” mail and “dirty” mail would be the same. You responded in part:

The Efficient Component Pricing Rule is used for determining worksharing related costs avoided. The Postal Service does not produce clean or dirty mail, it simply processes what is presented to it. Consequently, one can not replace a Postal Service activity related to producing a clean mail piece with a similar mailer activity.

a. Please confirm that the Postal Service provides free forwarding and returns of First-Class Mail. Please explain fully any failure to confirm without qualification.

b. Please confirm that the Postal Service incurs costs for forwarding and returning First-Class Mail. Please explain fully any failure to confirm without qualification.

c. Please confirm that First-Class Presort mailers must perform certain addressing hygiene practices to qualify for discounts. Please explain fully any failure to confirm without qualification.

d. Please confirm that the Postal Service would likely incur additional costs for forwards and returns if mailers were not required to perform these activities. Please explain fully any failure to confirm without qualification.

e. Please confirm that First-Class Presort mailers could undertake additional activities, beyond those currently undertaken, that would reduce the need for some forwards and returns. Please explain fully any failure to confirm without qualification.

NAPM/APWU-T1-9. Please refer to NAPM/APWU-T1-6, parts a and d, which asked you to identify the complete set of characteristics that distinguishes “clean” mail from “dirty” mail, as you use the terms, and asked you to confirm that deaveraging across this set of characteristics would reduce total combined mailing costs in the society as compared to the current pricing approach. You responded to part d as follows:

Not confirmed. Deaveraging across characteristics, depending on the extent to which it was taken, could result in a multitude of rates about which Single Piece users would have to make decisions. Transactions costs are added to the extent Single Piece users spend time trying to figure out which rate would apply and tracking down the “right” postage for their piece of mail. Postal Service revenue verification and protection costs and difficulties would likely increase as would the costs of customer education and service to assist Single Piece mailers in determining the correct postage. To the extent some people would expend more than postage savings to convert to cleaner characteristics, there would be additional costs. It would reduce the postage for mailers who are already mailing clean mail but whether it would overcome their transaction costs is not clear. The significance of transaction costs for Single Piece users, especially households, can be seen in the appeal of the Forever stamp. People do not want to expend the time and energy to deal with procuring and making decisions about “make-up” stamps. The Postal Service also expends resources on making those transactions.

a. Do First-Class Single-Piece mailers under current rates have to spend time figuring out how much the piece weighs?

b. Would mailers of First-Class Single-Piece letters under your proposed rates have to spend time figuring out how much the piece weighs?

c. Would mailers of First-Class Single-Piece mail under your proposed rates have to spend time figuring out whether the piece is a letter, a flat, or a parcel?

d. Please confirm that deregulation and increased competition have increased in recent years the complexity of the prices offered to consumers for services such as telephony, banking, and lending. Please explain fully any failure to confirm.

e. Would consumer welfare be increased if the prices for other commonly-used consumer services such as retail telephony and consumer banking and lending were reaveraged and simplified? If so, please explain fully, and cite all data, studies, and analyses on which you rely.

f. Would consumer welfare be reduced if the Postal Service allowed presort bureaus and other third-party consolidators to “assist Single Piece mailers in determining the correct postage” in exchange for a share of the cost savings from deaveraging (e.g., by allowing presort bureaus to obtain value added rebates (“VARs”) for mail bearing indicia of payment of full Single-Piece postage)? If your answer is anything but an unqualified negative, please explain fully, and cite all data, studies and analyses on which you rely.