

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Rate and Service Changes To Implement)
Baseline Negotiated Service Agreement)
With Washington Mutual Bank)

Docket No. MC2006-3

RESPONSE OF OFFICE OF THE CONSUMER ADVOCATE
WITNESS JAMES F. CALLOW TO INTERROGATORY OF
WASHINGTON MUTUAL BANK (WMB/OCA-T1-7)
(October 10, 2006)

The Office of the Consumer Advocate hereby submits the response of James F. Callow to interrogatory WMB/OCA-T1-7, dated October 5, 2006. The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

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RESPONSE OF OCA WITNESS JAMES F. CALLOW
TO INTERROGATORY WMB/OCA-T1-7

WMB/OCA-T1-7.

Please refer to your response to WMB/OCA-T1-1(f) where you provide a Panzar Analysis for the WMB NSA using a price-difference elasticity of $-.8538$ and to the worksheet "Year 1" in the spreadsheet entitled Response_WMB-OCA-T1-1(f).xls.

- (a) Please insert $-.35$ into Cell D11 of the referenced Excel worksheet and confirm that, according to the resulting Panzar Analysis, if WMB's price-difference elasticity is $-.35$, then the WMB NSA will increase USPS contribution in Year 1 of the NSA at WMB's After-Rates volume forecast of 713 million First-Class Mail pieces. If not confirmed, please explain fully.
- (b) Please insert $-.39$ into Cell D11 of the referenced Excel worksheet and confirm that, according to the resulting Panzar Analysis, if WMB's price-difference elasticity is $-.39$, then the WMB NSA will increase USPS contribution in Year 2 of the NSA at WMB's After-Rates volume forecast of 750 million First-Class Mail pieces. If not confirmed, please explain fully.
- (c) Please insert $-.44$ into Cell D11 of the referenced Excel worksheet and confirm that, according to the resulting Panzar Analysis, if WMB's price-difference elasticity is $-.44$, then the WMB NSA will increase USPS contribution in Year 3 of the NSA at WMB's After-Rates volume forecast of 785 million First-Class Mail pieces. If not confirmed, please explain fully.

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For purposes of answering this interrogatory, I have used the unrevised Excel file, "Response_WMB-OCA-T1-1(f).xls," referenced in this interrogatory. See the errata notice filed this date concerning the revised response to WMB-OCA-T1-1(f).

(a) Not confirmed. Inserting the price-difference elasticity of -0.3400 , rather than the provided price-difference elasticity of -0.35 , into Cell D11 of the unrevised Excel file, "Response_WMB-OCA-T1-1(f).xls, worksheet "Year 1," will generate USPS contribution at the after-rates volume estimate of 713 million in Year 1 of the agreement.

(b) Not confirmed. Inserting the price-difference elasticity of -0.3875 , rather than the provided price-difference elasticity of -0.39 , into Cell D11 of the unrevised Excel file,

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“Response_WMB-OCA-T1-1(f).xls, worksheet “Year 2,” will generate USPS contribution at the after-rates volume estimate of 750 million in Year 2 of the agreement.

(c) Not confirmed. Inserting the price-difference elasticity of -0.4330, rather than the provided price-difference elasticity of -0.44, into Cell D11 of the unrevised Excel file, “Response_WMB-OCA-T1-1(f).xls, worksheet “Year 3,” will generate USPS contribution at the after-rates volume estimate of 785 million in Year 3 of the agreement.

See the Excel file, “Response_WMB-OCA-T1-7(a)-(c),” accompanying this response.