

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

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POSTAL RATE AND FEE CHANGES, 2006

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Docket No. R2006-1

**RESPONSES OF GRAYHAIR SOFTWARE  
WITNESS CAMERON BELLAMY TO INTERROGATORIES OF  
UNITED STATES POSTAL SERVICE (USPS/GHS-T1 -15-16)  
(October 20, 2006)**

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GrayHair Software hereby submits the responses of Cameron Bellamy to interrogatories USPS/GHS-T1-15-16, dated October 6, 2006. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

CAMERON BELLAMY  
GRAYHAIR SOFTWARE

**RESPONSES OF GRAYHAIR SOFTWARE  
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**USPS/GHS-T1-15.**

Please refer to your responses to USPS/GHS-T1-3 and USPS/GHS-T1-4.

(a) Please confirm that your estimate in response to USPS/GHS-T1-4(b) assumes that you will be spending an additional \$30,500 (\$80,000 - \$9,500 for Platinum subscription fee increase - \$40,000 which is the amount you spend currently (based on your response to USPS/GHS-T1-4(a)) on additional IDs as a result of the OCA proposal. If you confirm, please explain why you would need twice as many additional IDs under the OCA proposal. If you do not confirm, please explain fully the basis for your estimate of an additional \$30,500 in spending above the Platinum subscription fee increase.

(b) Please provide the full basis for the claim that, under the Postal Service proposal, Confirm service will cost GrayHair \$220,000 or more.

(c) Please reconcile this claim that your costs will increase \$180,000 under the Postal Service proposal, in your response to USPS/GHS-T1-4(c), with your response to USPS/GHS-T1-3(a) and your testimony on page 16, where you state that GrayHair's Confirm fees will increase by at least 460 percent.

**RESPONSE TO USPS/GHS-T1-15.**

(a) This question involves estimates of customer decisions and forward looking projections of potential sales and expenses, including assumption of expenses for additional IDs as may be required for current customers, and additional IDs necessary to accommodate anticipated sales increases from growth in the market, which under the OCA pricing proposal, will be structured to allow that.

GHS has testified that it will continue to purchase and use additional IDs where necessary to support its customers, even though the OCA pricing proposal does not assume any revenue from this source. This provides an additional margin of safety that is associated with the OCA proposal.

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(b) This question involves estimates of customer decisions and forward looking projections of potential sales and expenses, resulting scan volumes, including shifts in scan volumes relating to First Class vs, other mail classes. The main factor underlying the increase is that the Postal Service proposes charging for individual scans. GHS thinks it should pay what the OCA proposes that the Postal Service needs to charge for an option for unlimited scans in order to cover its expenses and an appropriate markup.

GHS contends that the scans should not be seen as a primary product, such as a letter, flat or parcel. Scans merely constitute information about whether the primary product is being processed in a consistent and reliable manner, as all mailers legitimately expect.

(c) \$180,000 divided by \$40,000 gives a 450% increase. This very large percentage increase is predominantly an issue of paying for scans. There are estimates of customer decisions and forward looking projections involved. Keep in mind that under the Postal Service proposal it is expected that volumes will decrease by ten per cent.

What is important is that Confirm should cover its attributable costs with some provision for markup without creating any unnecessary barriers to the growth of intelligent mail. The Postal Service has yet to provide a convincing response as to why the current method will not work with some adjustments to the numbers to fill a 15% shortfall in cost coverage.

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**USPS/GHS-T5-16.**

Please refer to your response to USPS/GHS-T1-3(a) in which you claim: it will be found that the mailer in other classes always seems to have to pay 500% of what the First-Class mailer pays.

Please confirm that this statement is inaccurate as the following table shows. If you do not confirm, explain fully.

Scans	Fee if all FCM	Fee if all SM	SM Fees as a percentage of FCM Fees
100,000	5,000	5,000	100%
200,000	5,000	5,000	100%
1,000,000	5,000	5,280	106%
5,000,000	5,280	6,155	117%
25,000,000	6,155	9,218	150%
100,000,000	8,780	25,653	292%
250,000,000	11,405	28,905	253%
500,000,000	15,780	50,780	322%
1,000,000,000	24,530	94,530	385%

**RESPONSE TO USPS/GHS-T5-16.**

The table includes user fees, which have an impact on total payments, but our point was restricted to what a mailer would need “to pay for scans” (GHS response to USPS/GHS-T1-3(a)). As the USPS witness says (USPS-T-40, p. 17), “First-Class Mail scans are proposed to be set at one unit each, while Standard Mail scans are proposed to be set at 5 units each.”

It is true that the user fee includes one million units, which could be used on one million First-Class pieces, or 200,000 pieces in other classes. Here again the five-to-one ratio remains undiluted. Is this an unfair restriction in access to information about the mail?