

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

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

**RESPONSE OF PITNEY BOWES INC. WITNESS LAWRENCE G. BUC
TO UNITED STATES POSTAL SERVICE INTERROGATORIES
(USPS/PB –T3-21-23)**

Pitney Bowes Inc. (“Pitney Bowes”) herby submits the answers of Pitney Bowes witness Lawrence G. Buc to United States Postal Service interrogatories USPS/PB-T3-21 through 23. Each question is stated verbatim and then answered.

Respectfully submitted,

_____/s/_____
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DATED: November 2, 2006

USPS/PB-T3-21 Please refer to your response to USPS/PB-T3-14. In response to subpart (b), you state, “My testimony does not say that the discount I recommend would reduce lines in the Test Year. It does say that a fully implemented proposal would.”

- a. Have you, or anyone else associated with or on behalf of Pitney Bowes or PSI, studied or otherwise considered how the discount proposal in your testimony, if approved by the Commission and the Governors, would be fully implemented by the Postal Service, including any cost or revenue effects related to that implementation? Please discuss fully, and provide a copy of any such study.
- b. Please confirm that the Postal Service would incur additional costs associated with fully implementing your proposal through the following activities:
 - (i) educating postal workers on the new discounts;
 - (ii) training postal workers on how to identify and treat any short paid mail arising from the new discounts;
 - (iii) educating the public on the new discounts.

If you cannot confirm, please explain.

- c. In your view, would the Postal Service incur additional window costs associated with explaining the new discounts to customers, and thus potentially add to the time spent at the window? Please explain fully.

RESPONSE

- a. I have considered how my proposed discount would be implemented. I expect that large portions of the implementation of an expanded retail access discount could be piggybacked on the implementation of the Forever Stamp, for which I assume the Postal Service has developed implementation plans.
- b. As with any new program or discount, the Postal Service would likely incur implementation costs.
- c. I don't know. Most stamps are purchased at windows, but this is a discount that in its first stage does not apply to stamps.

USPS/PB-T3-22 Please refer to your response to USPS/PB-T3-16. In response to subpart (a), you report that the FY 2005 volume for Single-Piece First Class Letters, Flats, and Parcels with permit indicia was 2,062,610 (000). You indicated that the estimated revenue leakage from your proposal is based, in part, upon this volume.

- a. Please provide your best estimate of the amount of Business Reply Mail (BRM) that is contained within the cited FY 2005 permit mail volume.
- b. Please confirm that your proposed discount for permit mail would also apply to BRM. If you cannot confirm, please explain.

RESPONSE

- a. USPS-LR-L-129, WP-FCM-10a shows 346,973,000 pieces of Qualified Business Reply Mail in the Base Year. It would seem that virtually all of the QBRM mail should be permit given that the business would incur costs if this mail were metered or stamped even if the piece were not returned.
- b. Confirmed.

USPS/PB-T3-23 Please refer to USPS/PB-T3-13 and 16, where you were asked about your proposal as it applies to single-piece First-Class Mail with permit indicia.

- a. Please confirm that, as a general rule, permit imprint mailings must contain at least 200 pieces or 50 pounds. See DMM §§ 134.2.2 and 604.5.1.2. If you cannot confirm, please explain.
- b. Please explain fully how single-piece First-Class Mail with permit indicia avoids window service costs.
- c. In your view, are the window service costs avoided by permit mail offset at all by additional costs that may be incurred when the permit mail is formally accepted (for example, checking the weight and total piece count against the postage statement)? If so, please explain fully how this is taken into account in your proposal. If you or anyone else associated with, or on behalf of, Pitney Bowes or PSI have studied these cost differences, please provide copies of any such studies.
- d. In your view, how likely would it be that mailers (who do not already have a permit) would obtain a permit in order to take advantage of your proposed 0.1 cent per-piece discount? Please explain fully. If you or anyone else associated with, or on behalf of, Pitney Bowes or PSI have studied and/or quantified this incentive, please provide copies of any such studies.

RESPONSE

- a. Confirmed.

- b. As I discuss in my testimony, Single-Piece First-Class Mail with permit indicia avoids window service costs because the postage evidencing is not sold at the window.
- c. Permit mail does incur acceptance costs My discount applies only to the selling of postage evidencing and not to the mail processing or delivery components, so my proposal does not take these cost difference into account. Of course it would be possible to further deaverage Single-Piece First-Class Mail across a broader set of activities likecollection, mail processing, transportation, and delivery costs in addition to shape and weight, both of which are considered in the Postal Service's proposed rates.
- d. Given the modest size of the discount, there would likely be only a small incentive to obtain a permit in order to take advantage of it.