



February 8, 2007

Hon. Steven W. Williams, Secretary
Postal Regulatory Commission
901 New York Avenue, NW
Suite 200
Washington, DC 20268-0001

RE: Docket No. MC2005-2

Dear Mr. Williams:

In accordance with the Commission's Opinion and Recommended Decision Approving Negotiated Service Agreement in Docket No. MC2005-2, Rate and Service Changes to Implement Functionally Equivalent Negotiated Service Agreement with HSBC North America Holdings Inc. (May 20, 2005), attached is the Postal Service's first Data Collection Report for the time period January 1, 2006 to December 31, 2006. Also attached are the Excel spreadsheets showing the analysis.

As suggested by the contents of this report, due to changing circumstances, the benefits anticipated from this agreement have as yet failed to materialize. This was in part due to an unexpected change in HSBC's mailing strategy as a result of the Docket No. R2005-1 rate increases. Consequently, the Postal Service and HSBC have begun discussions to explore alternative arrangements with greater probability of material benefits for both partners moving forward. If and when such discussions reach the point at which replacement of the current agreement appears to be warranted, appropriate filings to pursue that objective will be submitted to the Commission.

Sincerely,

A handwritten signature in black ink that reads "Eric P. Koetting".

Eric P. Koetting
Attorney

Attachments

**MC 2005-2 Data Collection Report
HSBC NSA
January 2006 – December 2006**

Data Collection Plan Requirements:

1. Volume of First-Class Mail solicitations by rate category in eligible HSBC permit accounts.
2. Volume of First-Class Mail customer mail by rate category in eligible HSBC permit accounts.
3. Amount of discounts paid to HSBC for First-Class Mail by incremental volume block.
4. Volumes of First-Class Mail solicitations bearing the ACS endorsement that are physically returned to HSBC.
5. Number of electronic address correction notices provided to HSBC for forwarded solicitation mailpieces, including the number of notices processed by CFS units and separately for PARS (when fully operational).
6. Number of electronic address correction notices provided to HSBC for solicitation mailpieces that would otherwise be physically returned, including the number of notices processed by CFS units and separately for PARS (when fully operational).
7. Monthly estimate of the amount of time spent on compliance activity and a description of the activities performed.
8. For each First Class solicitation mailing list run against NCOA, HSBC will provide NCOA contractor reports that separately identify the number of address records checked and the number of corrections made.
9. For each Change of Address record that is used to forward a piece of HSBC solicitation mail through ACS under the Agreement, the Postal Service will provide the date the record was created, its move effective date, whether it was for a family or individual move, and each date that the record was used to forward a mail piece. No other information from the record would be provided.
10. As part of each data collection plan report, the Postal Service will provide an evaluation of the impact on contribution. It will also provide an assessment of trends of HSBC's First-Class Mail volume as compared to overall First-Class Mail volume.
11. Volume of Standard Mail solicitations by rate category in eligible HSBC permit accounts.
12. A comparison of the estimated mailer-specific costs, volumes, and revenues with the actual mailer-specific costs, volumes, and revenues.

**MC 2005-2 Data Collection Report
 HSBC NSA
 January 2006 – December 2006**

1. Volume of First-Class Mail solicitations by rate category in eligible HSBC permit accounts.

Nonautomated Presorted Letters	
First Ounce	546,346
Additional Ounces	0
Nonmachineable Pieces	0
Heavy Piece Deduction	0
TOTAL Nonautomated Presorted Letters	546,346
Automation Presort Letters	
LETTERS	
Mixed AADC letters	1,721,334
AADC Letters	1,449,325
3-Digit Letters	10,928,481
5-Digit Letters	9,712,132
Additional Ounces	0
Heavy Piece Deduction	0
TOTAL Automation Presort Letters	23,811,271
Automation Carrier Route Letters	
First Ounce	248,263
Additional Ounces	0
Heavy Piece Deduction	0
TOTAL Automation Carrier Route Letters	248,263
	24,605,881
TOTAL HSBC FIRST-CLASS MAIL SOLICITATIONS	

Source: CBCIS

**MC 2005-2 Data Collection Report
 HSBC NSA
 January 2006 – December 2006**

2. Volume of First-Class customer mail by rate category in eligible HSBC permit accounts.

Nonautomated Presorted Letters	
First Ounce	12,173,659
Additional Ounces	0
Nonmachineable Pieces	0
Heavy Piece Deduction	0
TOTAL Nonautomated Presorted Letters	12,173,659
Automation Presort Letters	
LETTERS	
Mixed AADC letters	37,768,499
AADC Letters	75,825,246
3-Digit Letters	349,590,305
5-Digit Letters	102,913,007
Additional Ounces	0
Heavy Piece Deduction	0
TOTAL Automation Presort Letters	566,097,057
Automation Carrier Route Letters	
First Ounce	738,012
Additional Ounces	0
Heavy Piece Deduction	0
TOTAL Automation Carrier Route Letters	738,012
TOTAL HSBC FIRST-CLASS CUSTOMER MAIL	579,008,728

Source: CBCIS

**MC 2005-2 Data Collection Report
 HSBC NSA
 January 2006 – December 2006**

3. Amount of discounts paid to HSBC for First-Class Mail by incremental volume block.

The thresholds and discounts for the NSA are calculated and reconciled on a yearly basis. The schedule shows the declining block discounts available to HSBC for a full year. Note that, due to the Implementation Date Threshold Adjustment mechanism included with the recommended DMCS language, with the revised implementation date of January 1, 2006, the thresholds applicable in the first actual year of the HSBC NSA (calendar 2006) correspond to those identified as Year 2 in the HSBC NSA filing.

STARTING BLOCK (pieces)	ENDING BLOCK (pieces)	INCENTIVE	INCENTIVES PAID
0	725,000,000	\$0.000	\$0.000
725,000,000	765,000,000	\$0.025	\$0.000
765,000,000	785,000,000	\$0.030	\$0.000
785,000,000	805,000,000	\$0.035	\$0.000
805,000,000	825,000,000	\$0.040	\$0.000
825,000,000	845,000,000	\$0.045	\$0.000
845,000,000	>	\$0.050	\$0.000
		TOTAL	\$0.000

MC 2005-2 Data Collection Report
HSBC NSA
January 2006 – December 2006

4. Data Collection Plan Requirement Number

Volumes of First-Class Mail solicitations bearing the ACS endorsement that are physically returned to HSBC.

The only solicitation mail bearing the ACS endorsement appeared in a few mailings by HSBC totaling 473,291 pieces. Due to the isolated and minimal nature of this occurrence, no return data were captured from these mailings.

MC 2005-2 Data Collection Report
HSBC NSA
January 2006 – December 2006

5. Data Collection Requirement Number

Number of electronic address correction notices provided to HSBC for forwarded solicitation mail pieces, including the number of notices processed by CFS units and separately for PARS (when fully operational).

The only solicitation mail bearing the ACS endorsement appeared in a few mailings by HSBC totaling 473,291 pieces. Due to the isolated and minimal nature of this occurrence, no return data were captured from these mailings.

MC 2005-2 Data Collection Report
HSBC NSA
January 2006 – December 2006

6. Data Collection Requirement Number

Number of electronic address correction notices provided to HSBC for solicitation mail pieces that would otherwise be physically returned, including the number of notices processed by CFS units and separately for PARS (when fully operational).

The only solicitation mail bearing the ACS endorsement appeared in a few mailings by HSBC totaling 473,291 pieces. Due to the isolated and minimal nature of this occurrence, no return data were captured from these mailings.

**MC 2005-2 Data Collection Report
HSBC NSA
January 2006 – December 2006**

7. Monthly estimate of the amount of time spent on compliance activity and a description of the activities performed.

Department	Activity and Description	Work-hours	Time-Frame
Pricing Strategy	<u>Volume Reconciliation</u> : Reconciling USPS permit volume counts with internal volume counts	8	Per month
Pricing Strategy	<u>NSA Data Collection Plan</u> : Ensuring compliance with the Data Collection Plan	80	Per Year
Address Management	<u>ACS Support</u> : Providing ACS counts and support for ACS related issues	4	Per month
Finance	<u>RPW Reporting</u> : Monitoring and ensuring that discounts are allocated properly in RPW reporting (one-time event)	1*	Per year
Finance	<u>Accounting Procedures</u> : Developing accounting controls and procedures for the refund process	2*	Per quarter
Legal	<u>Legal Advice</u> : Advising on compliance and preparation of the data collection plan	24	Per Year
Pricing, Finance	<u>NSA and rate-cases</u> : Ensuring that NSA volumes and affects are accurately reported and accounted for in rate-case filings	215*	Per Year

* These work-hours represent the total time spent on all implemented NSAs.

**MC 2005-2 Data Collection Report
HSBC NSA
January 2006 – December 2006**

8. For each First Class solicitation mailing list run against NCOA, HSBC will provide NCOA contractor reports that separately identify the number of address records checked and the number of corrections made.

The only solicitation mail bearing the ACS endorsement appeared in a few mailings by HSBC totaling 473,291 pieces. Due to the isolated and minimal nature of this occurrence, no return data were captured from these mailings.

MC 2005-2 Data Collection Report
HSBC NSA
January 2006 – December 2006

9. Data Collection Requirement Number

For each Change of Address record that is used to forward a piece of HSBC solicitation mail through ACS under the Agreement, the Postal Service will provide the date the record was created, its move effective date, whether it was for a family or individual move, and each date that the record was used to forward a mail piece. No other information from the record would be provided.

The only solicitation mail bearing the ACS endorsement appeared in a few mailings by HSBC totaling 473,291 pieces. Due to the isolated and minimal nature of this occurrence, no return data were captured from these mailings.

**MC 2005-2 Data Collection Report
HSBC NSA
January 2006 – December 2006**

- 10. As part of each data collection plan report, the Postal Service will provide an evaluation of the impact on contribution. It will also provide an assessment of trends of HSBC's First-Class Mail volume as compared to overall First-Class Mail volume.**

In the time period January 2006 – December 2006, the HSBC First-Class Mail volume had no impact on contribution as its projected volumes were below threshold levels and no material amount of mail was entered with an ACS endorsement. In terms of trends, HSBC operations volume growth is comparable to overall First Class workshare mail, but solicitation volume is declining and is therefore not comparable to overall workshare volume.

**MC 2005-2 Data Collection Report
 HSBC NSA
 January 2006 – December 2006**

11. Volume of Standard Mail solicitations by rate category in eligible HSBC permit accounts.

Standard Mail Letters Regular

Mail Category	Volume
Mixed AADC Auto	9,778,922
AADC Auto	23,404,657
3-Digit Auto	388,030,630
5-Digit Auto	360,768,505
Basic Nonauto	3,111,277
3/5 Digit Nonauto	<u>494,457</u>
Total Volume	<u>785,588,448</u>

Standard Mail ECR Letters

Mail Category	Volume
Basic Nonauto	872,014
Basic Auto	28,212,723
Saturation	<u>2,630,025</u>
Total Volume	<u>31,714,762</u>
GRAND TOTAL	<u>817,303,210</u>

MC 2005-2 Data Collection Report
HSBC NSA
January 2006 – December 2006

12. A comparison of the estimated mailer-specific costs, volumes, and revenues with the actual mailer-specific costs, volumes, and revenues.

See attached printouts of the attached Excel file. Note that, due to the Implementation Date Threshold Adjustment mechanism included with the recommended DMCS language, with the revised implementation date of January 1, 2006, the thresholds applicable in the first actual year of the HSBC NSA (calendar 2006) correspond to those identified as Year 2 in the HSBC NSA filing. Consequently, the comparison shown on these sheets is between figures estimated for Year 2 in the NSA filing, versus the actual figures for 2006.

USPS HSBC NSA January 2006 - December 2006

Appendix A: page 1

USPS Value Calculation

		HSBC YEAR 1	
		MC2005-2-Filing	Actuals
(1)	Total Volume	783,598,709	603,614,609
(2)	Threshold	725,000,000	725,000,000
(3)	Volume Above Threshold	58,598,709	-121,385,391
(4)	Projected Before Rates Volume	763,598,709	
(5)	Leakage Volume	38,598,709	
(6)	Incremental Pieces	20,000,000	0
(7)	Standard Mail Volume Actual CY 06		817,303,210
(8)	Conversion Percentage	100%	Not applicable
		MC2005-2 Year 2	Actual
(9)	Statement Mail	518,407,521	579,008,728
(10)	Marketing Mail	265,191,188	24,605,881
		783,598,709	603,614,609
		MC2005-2 Filing	Actuals
New FCM Marketing Mail Contribution			
(11)	Increased Volume	20,000,000	0
(12)	HSBC FCM Revenue per Piece	\$0.295	\$0.312
(13)	HSBC FCM Cost per Piece	\$0.134	\$0.107
(14)	HSBC FCM Contribution per Piece	\$0.161	\$0.205
(15)	HSBC Standard Mail Contribution per Piece	\$0.088	\$0.106
(16)	HSBC Contribution	\$1,457,936	\$0
(17)	Discount on Incremental Volume	\$592,994	\$0
(18)	New FCM Mail Contribution (net discounts)	\$864,942	\$0
Discount Leakage			
(19)	Leakage Volume	38,598,709	0
(20)	Total Discount Leakage	\$964,968	\$0
Return Cost Savings			
(21)	Manual Return Cost	\$0.60	\$0.312
(22)	Electronic Return Cost	\$0.37	\$0.116
(23)	Return Cost Savings	\$0.232	\$0.196
(24)	# of ACS Returns	9,899,593	0
(25)	ACS Savings	\$2,293,954	\$0
(26)	Total USPS Value	\$2,193,928	\$0

- 1 For MC2005-2 USPST-1 Appendix A; for Actuals USPS Permit System
- 2 MC2005-2 Rate Filing for Year 2
- 3 (1) - (2)
- 4 MC2005-2 Rate Filing for Year 2
- 5 If projected volume (4) greater than threshold, (5) = (4) - (2). If threshold is greater than projected volume, (5) = 0.
- 6 (1) - (4)
- 7 USPS Permit System
- 8 For MC2005-2 USPST-1 Appendix A; Actual -- no new volume, so Not Applicable
- 9 For MC2005-2 HSBC T-1; for Actuals USPS Permit System
- 10 For MC2005-2 HSBC T-1; for Actuals USPS Permit System
- 11 Incremental Pieces = (6)
- 12 For MC2005-2 USPST-1 Appendix A; for Actuals, Appenix A of this filing, page 2, USPS Permit System
- 13 For MC2005-2 USPST-1 Appendix A; for Actuals, Appendix A of this filing, page 3, HSBC Statement Unit Cost tab
- 14 For MC2005-2 USPST-1 Appendix A for Actuals (12) - (13)
- 15 For MC2005-2 USPST-1 Appendix A; for Actuals, Appendix A of this filing, page 6
- 16 For MC2005-2 Filing witness Dauer Testimony USPST-1 Appendix A
- 17 For MC2005-2 Filing witness Dauer Testimony USPST-1 Appendix A
- 18 (17) - (18)
- 19 (5)
- 20 Leakage Volume (5) * Price Incentives
- 21 For MC2005-2 USPST-1 Appendix A, Actuals USPS-LR-L-117 adjusted from TY 08 to FY 06 using Cost Level Changes in USPS-LR-L-168
- 22 For MC2005-2 USPST-1 Appendix A, Actuals USPS-LR-L-117 adjusted from TY 08 to FY 06 using Cost Level Changes in USPS-LR-L-168
- 23 (21) - (22)
- 24 MC2005-2 USPS-T-1 Appendix A, UAA calcs tab, Marketing mail return volume forecast * ACS Success Rate
- 25 (23) * (24)
- 26 (18) + (25) - (20)

USPS HSBC NSA January 2006 - December 2006

Appendix A: page 2

Marketing Revenue per piece

HSBC First-Class Mail
By Rate Category

	(1) FY 2006 <u>Volume</u>	(2) Current <u>Rates</u>	(3) = (1) * (2) <u>Revenue</u>
Nonautomated Presorted Letters			
First Ounce	546,346	\$ 0.307	\$ 167,993
Additional Ounces		\$ -	\$ -
Nonmachinable Pieces (a)		\$ -	\$ -
Heavy Piece Deduction		\$ -	\$ -
Total Nonautomated Presorted Letters	546,346		\$ 167,993
Revenue Adjustment Factor (1)			1.000000
Total Nonautomated Presorted Letters Revenue			\$ 167,993
Automation Presort Letters and Flats			
Letters			
Mixed AADC Letters (b)	1,721,334	\$ 0.332	\$ 572,218
AADC Letters (b)	1,449,325	\$ 0.318	\$ 460,846
3-Digit Letters	10,928,481	\$ 0.308	\$ 3,369,505
5-Digit Letters	9,712,132	\$ 0.293	\$ 2,849,310
Additional Ounces	-	\$ -	\$ -
Heavy Piece Deduction	0	\$ -	\$ -
Flats			
Mixed ADC Flats (b)	0	\$ -	\$ -
ADC Flats (b)	0	\$ -	\$ -
3-Digit Flats (c)	0	\$ -	\$ -
5-Digit Flats (c)	0	\$ -	\$ -
Additional Ounces		\$ -	\$ -
Heavy Piece Deduction		\$ -	\$ -
Nonmachinable Pieces (a)		\$ -	\$ -
Total Automation Presort Letters and Flats	23,811,271		\$ 7,251,880
Revenue Adjustment Factor			1.000000
Total Automation Presort Letters and Flats Revenue			\$ 7,251,880
Automation Carrier Route Letters			
First Ounce	248,263	\$ 0.290	\$ 72,057
Additional Ounces		\$ -	\$ -
Heavy Piece Deduction		\$ -	\$ -
Automation Carrier Route Letters	248,263		\$ 72,057
Revenue Adjustment Factor			1.000000
Automation Carrier Route Letters Revenue			\$ 72,057
Total DFS First-Class Presort Letters	24,605,881		\$ 7,491,930
Revenue per Piece			\$ 0.3045

HSBC FIRST-CLASS MAIL PRESORT MARKETING LETTERS UNIT COST ESTIMATE:

HSBC Solicitation Return Percentage =	0.0%	(1) Adjusted for Actuals
HSBC Statement Return Percentage =	1.2%	(2)
Average Presort Letters Return Percentage =	1.79%	(3)
Before Rates Customer Mail Volume =	-	(4) Adjusted for Actuals
Before Rates Solicitation Mail Volume =	24,605,881	(5) Adjusted for Actuals
Manual Returns Unit Cost =	\$0.312	(6)
Electronic Returns Unit Cost =	\$0.116	(7)
Address Change Service (ACS) Success Rate =	0.0%	(8) Adjusted for Actuals
Contingency Factor =	1.010	(9)

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
	FY 2006 NATIONWIDE MAIL MIX							HSBC MAIL MIX						
Rate Category	FY 2006 Mail Proc Unit Cost (Dollars)	FY 2006 Delivery Unit Cost (Dollars)	FY 2006 Other Unit Cost (Dollars)	FY 2006 Total Unit Cost (Dollars)	TY 2006 Mail Volume (Pieces)	FY 2005 Mail Volume (Percent)		FY 2006 Total Unit Cost (Dollars)	FY 2006 Mail Volume (Pieces)	FY 2006 Mail Volume (Percent)	Current Returns Adjustment Unit Cost (Dollars)	Current w/Rets Adj Total Unit Cost (Dollars)	After Rates Returns Adjustment Unit Cost (Dollars)	After Rates w/Rets Adj Total Unit Cost (Dollars)
FIRST-CLASS MAIL LETTERS														
Nonautomation Presort Letters	\$0.102	\$0.046	\$0.013	\$0.161	1,870,606,466	3.84%		\$0.161	546,346	2.22%				
Automation Presort Letters														
Automation Mixed AADC	\$0.072	\$0.040	\$0.013	\$0.125	2,817,587,556	5.79%		\$0.125	1,721,334	7.00%				
Automation AADC	\$0.059	\$0.040	\$0.013	\$0.112	2,545,105,499	5.23%		\$0.112	1,449,325	5.89%				
Automation 3-Digit	\$0.054	\$0.040	\$0.013	\$0.108	23,168,418,713	47.61%		\$0.108	10,928,481	44.41%				
Automation 5-Digit	\$0.039	\$0.040	\$0.013	\$0.093	17,145,711,751	35.24%		\$0.093	9,712,132	39.47%				
Automation Carrier Route	\$0.029	\$0.040	\$0.013	\$0.083	659,603,071	1.36%		\$0.083	248,263	1.01%				
Automation Presort Flats														
Automation Mixed ADC	\$0.418	\$0.112	\$0.013	\$0.543	52,631,000	0.11%		\$0.543	0	0.00%				
Automation ADC	\$0.330	\$0.112	\$0.013	\$0.456	45,089,684	0.09%		\$0.456	0	0.00%				
Automation 3-Digit	\$0.270	\$0.112	\$0.013	\$0.395	114,602,484	0.24%		\$0.395	0	0.00%				
Automation 5-Digit	\$0.196	\$0.112	\$0.013	\$0.322	239,065,444	0.49%		\$0.322	0	0.00%				
WEIGHTED AVERAGE / TOTAL	\$0.053	\$0.041	\$0.013	\$0.108	48,658,421,666	100.00%		\$0.104	24,605,881	100.00%	-\$0.0056	\$0.0987	-\$0.0056	\$0.0987
Total Unit Cost Estimates, including Contingency =											\$0.0996			\$0.0996
											Current			After Rates
											(24)			(25)

(1) Actual Return Rate

(2) Actual Return Rate

(3) USPS-LR-L-61

(4) This worksheet only addresses cost of Marketing mail.

(5) USPS CBCIS FY 2006

(6) USPS-LR-L-117 adjusted from TY 08 to FY 06 using Cost Level Changes in USPS-LR-L-168

(7) USPS-LR-L-117 adjusted from TY 08 to FY 06 using Cost Level Changes in USPS-LR-L-168

(8) MC2005-2, Assumption

(9) R2005-1

(10) Intentionally left blank

(11) USPS-LR-L-110, USPS-LR-L-102, USPS-LR-L-101 adjusted from TY08 to FY 06 using USPS-LR-L-111

(12) USPS-LR-L-110, USPS-LR-L-102, USPS-LR-L-101 adjusted from TY08 to FY 06 using USPS-LR-L-111

(13) USPS-LR-L-110, USPS-LR-L-102, USPS-LR-L-101 adjusted from TY08 to FY 06 using USPS-LR-L-111

(14) (11) + (12) + (13)

(15) USPS-LR-L-66

(16) (15) / [Sum (15)]

(17) Line Item (14), Total - Allocated by (19)

(18) Attachment A, Page 1

(19) (18) / [Sum (18)]

(20) (6) * [(4) * [(2) - (3)] + (5) * [(1) - (3)]] / [(4) + (5)]

(21) Sum (17) + (20)

(22) [(8) * (7) + [1 - (8)] * (6)] * [(5) * [(1) - (3)]] + (6) * (4) * [(2) - (3)] / [(4) + (5)] - (3) * [(6) - (7)] * (8) * [(4) + (5)]

(23) Sum (17) + (22)

(24) (21) * (9)

(25) (23) * (9)

USPS HSBC NSA January 2006 - December 2006

Appendix A: page 4

Statement Revenue per Piece

HSBC First-Class Statement Mail
By Rate Category

	(1) FY 2006 <u>Volume</u>	(2) Current <u>Rates</u>	(3) = (1) * (2) <u>Revenue</u>
Nonautomated Presorted Letters			
First Ounce	12,173,659	\$ 0.376	\$ 4,579,917
Additional Ounces	0	\$ -	\$ -
Nonmachinable Pieces (a)	0	\$ -	\$ -
Heavy Piece Deduction	0	\$ -	\$ -
Total Nonautomated Presorted Letters	12,173,659	\$ -	\$ 4,579,917
Revenue Adjustment Factor			1.000000
Total Nonautomated Presorted Letters Revenue			\$ 4,579,917
Automation Presort Letters and Flats			
Letters			
	566,097,057		
Mixed AADC Letters (b)	37,768,499	\$ 0.350	\$ 13,233,551
AADC Letters (b)	75,825,246	\$ 0.322	\$ 24,402,315
3-Digit Letters	349,590,305	\$ 0.309	\$ 108,180,006
5-Digit Letters	102,913,007	\$ 0.293	\$ 30,170,828
Additional Ounces	0	\$ -	\$ -
Heavy Piece Deduction	\$ -	\$ -	\$ -
Flats			
	-		
Mixed ADC Flats (b)	\$ -	\$ -	\$ -
ADC Flats (b)	\$ -	\$ -	\$ -
3-Digit Flats (c)	\$ -	\$ -	\$ -
5-Digit Flats (c)	\$ -	\$ -	\$ -
Additional Ounces	\$ -	\$ -	\$ -
Heavy Piece Deduction	\$ -	\$ -	\$ -
Nonmachinable Pieces (a)	\$ -	\$ -	\$ -
Total Automation Presort Letters and Flats	566,097,057	\$ -	\$ 175,986,700
Revenue Adjustment Factor			1.000000
Total Automation Presort Letters and Flats Revenue			\$ 175,986,700
Automation Carrier Route Letters			
First Ounce	738,012	\$ 0.292	\$ 215,570
Additional Ounces	\$ -	\$ -	\$ -
Heavy Piece Deduction	0	\$ -	\$ -
Automation Carrier Route Letters	738,012	\$ -	\$ 215,570
Revenue Adjustment Factor			1.000000
Automation Carrier Route Letters Revenue			\$ 215,570
Total First-Class Presort Letters	579,008,728	\$ -	\$ 180,782,187
Revenue per Piece			\$ 0.3122

HSBC

Appendix A, page 6

Standard Mail unit contribution

	(1) Volume %	(2) Volume	(3) Rates	(4) Revenue	(5) Unit Cost	(6) Contribution
Standard Mail Regular Revenue per piece						
Letter-size Mail Category						
Mixed AADC Auto	1.1965%	9,778,922	\$0.226	\$2,213,192	0.0972	
AADC Auto	2.8636%	23,404,657	\$0.216	\$5,064,179	0.0874	
3-Digit Auto	47.4769%	388,030,630	\$0.194	\$75,210,441	0.0840	
5-Digit Auto	44.1413%	360,768,505	\$0.176	\$63,441,999	0.0728	
Basic Nonauto	0.3807%	3,111,277	\$0.275	\$854,934	0.1129	
3/5 Digit Nonauto	0.0605%	494,457	\$0.253	\$125,124	0.1072	
Total		785,588,448		\$146,909,869		
Letter-size Standard Mail ECR						
Mail Category						
Basic Nonauto Letters	0.1067%	872,014	\$0.182	\$158,514	0.0894	
Basic Auto Letters	3.4519%	28,212,723	\$0.156	\$4,394,066	0.0960	
Saturation Letters	0.3218%	2,630,025	\$0.136	\$358,768	0.0690	
Total		31,714,762		\$4,911,347		
Weighted Average per piece			\$0.186		\$0.080	\$0.106
	100%	817,303,210				

(1) Percentage of Rate Category volume to Total Standard Mail volume

(2) Permit System

(3) Permit System

(4) Permit System

(5) Weighted average cost per piece using R2006 unit cost

(6) Average Revenue per piece minus weighted average cost per piece.