

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

STAMPED STATIONERY AND STAMPED CARDS
CLASSIFICATIONS

Docket No. MC2006-7

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-40-45, 47-50)

The United States Postal Service hereby provides its responses to the following interrogatories of David B. Popkin, filed on April 9, 2007: DBP/USPS-40-45, 47-50. Interrogatory DBP/USPS-46 is being filed separately.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-40

[a] Please advise what consideration has been given to utilizing a Forever Stamp on any of the future Premium Stamped Stationery items.

[b] Please discuss the advantages and disadvantages that would occur by utilizing a Forever Stamp in lieu of a denominated stamp.

[c] Please confirm, or explain if you are unable to confirm, that once the price for a given PSS item has been determined utilizing the then current postage rates that its selling price will remain the same even if the postage rates change.

RESPONSE:

(a)-(b) Based on the request of the Chairman during the hearing last week, the Postal Service considered this idea, which had not been raised previously. While the concept certainly has merits in terms of customer convenience, the Postal Service would like to defer further consideration pending establishment of the requested classifications and more experience with the actual Forever Stamp, as explained below.

PSS and PSC are designed to promote and reflect commemorative stamp issuances, which are denominated; using a generic "Liberty Bell"-type stamp on PSS and PSC is not consistent with this purpose. Conversely, there might be confusion if certain commemorative stamp images were deemed to be "Forever" when imprinted on PSS and PSC, but not "Forever" when sold as stamps. The Forever Stamp has heretofore been intended solely to simplify the routine transaction of stamp purchasing, so its relation to specialized products needs to be considered carefully. Because there is so little experience with the Forever Stamp itself, it makes sense to gain some experience and knowledge before introducing additional complexity to it or to PSS/PSC. At this early juncture, there may be issues that cannot yet be identified and for which further experience with the basic Forever Stamp will be needed, before expanding it to other applications.

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(c) Confirmed that once the price has been set for a particular PSS or PSC issuance, the Postal Service does not intend to change it, given the logistical difficulty of identifying and physically re-marking the prices on relatively small numbers of items potentially scattered among tens of thousands of retail units.

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DBP/USPS-41

[a] Please advise what consideration has been given to utilizing a Forever Stamp on any of the future Premium Stamped Card items.

[b] Please discuss the advantages and disadvantages that would occur by utilizing a Forever Stamp in lieu of a denominated stamp.

[c] Please confirm, or explain if you are unable to confirm, that once the price for a given PSC item has been determined utilizing the then current postage rates that its selling price will remain the same even if the postage rates change.

[d] Please confirm, or explain if you are unable to confirm, that it would be necessary to change the DMCS to allow for a Forever Stamp at the card rate.

RESPONSE:

(a)-(c) Please see the response to DBP/USPS-40.

(d) Presumably, although the Postal Service has not yet addressed this legal question.

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DBP/USPS-42 Please confirm, or explain if you are unable to confirm, that if the Postal Service were to change the lower limit of the range for selling PSC or PSS items that that this could still result in all of the PSC and PSS items being sold for the same prices as they would have been without the reduction in the lower limit.

RESPONSE:

Under the proposed fee schedule, once the minimum fee is established, no items could be sold for less than that amount plus the value of the postage times the number of pieces in the set.

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DBP/USPS-43 Please refer to the chart that was provided in Interrogatory DBP/USPS-24 that was prepared using the data that was provided in response to Interrogatory DBP/USPS-1.

[a] Please explain why all of the Premium Stamped Cards that were sold in packages of 20 cards had a percent of the cost of a stamped card value that ranged from 48.75% to 123.75% while those that were sold in packages of less than 20 cards had a range of 168.75% to 298.33% with the exception of the Olympic Games PSC.

[b] Please provide the reasons for the Olympic Games PSC not falling in the range of all of the other similarly packaged PSC items.

RESPONSE:

Your question presumes that the prices were set by marking up attributable costs. As explained in several previous answers, this is not the case. Prices have been set primarily based on expected demand and the prices of near-substitutes in the private market. The prices are then verified against production, licensing, and any other identifiable costs to ensure those costs can be expected to be more than covered by the number expected to be sold.

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DBP/USPS-44 For any of the PSC or PSS items that are still on sale, has a date been set for removing that item from sale. If so, please provide details.

RESPONSE:

No.

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DBP/USPS-45 Please provide details for any of the proposed PSC or PSS items due for sale during the remainder of 2007 including, if available, the same data that was provided in the response to Interrogatory DBP/USPS-1.

RESPONSE:

No PSC or PSS issuances have been announced for 2007; announcements are made in the Postal Bulletin prior to the issue date.

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DBP/USPS-47 To the extent that it is available for any of the PSC or PSS items that have been issued, please provide quotations or other information which will indicate the costs for different print quantities.

RESPONSE:

The requested information is not available, because the quantity is specified for each product when bids are solicited. There are no standard price tables for these products.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
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DBP/USPS-48 Please compare the quantity of the PSC or PSS items printed on the invoices that are attached to the testimony in this docket as compared to the print quantity shown in response to Interrogatory DBP/USPS-1 and explain why there are differences. Please provide copies of any of the missing invoices or revise the quantity printed data.

RESPONSES:

The referenced attachment shows the number put into circulation. The invoices show the numbers printed. Differences could be due to various additional circumstances. Items may become damaged after the Postal Service receives them. Some may be held out from circulation in order to replace items lost or damaged in shipping to customers. There may be printer overruns, in which case the Postal Service is not obligated to pay for more than it ordered, but may decide, in certain instances, to take possession of the overruns and pay for them; those may or may not go into circulation.

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DBP/USPS-49 Please confirm, or explain if you are unable to confirm, that if the PRC were to approve the pricing concept of providing a range based on the then current letter and card rates, that the cost coverage values would not be considered and that they would vary based on the actual production costs.

RESPONSE:

The question cannot be answered as stated. Expected sales and production costs are among the factors that will go into the determination of the price for each issuance to be sure that the costs are covered. Each issuance could have a different price and may have different production costs, so any calculated cost coverages might or might not vary among issuances.

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DBP/USPS-50 Please advise whether any consideration has been given to basing the selling price of PSC and PSS items on a range of multiples of the production costs of the item rather than multiples of the then current letter and card rate. If not, why not? If so, please discuss and provide both the advantages and disadvantages.

RESPONSE:

Marking up production costs was not pursued for the following reasons. First, as stated in the testimony, the available cost information is not complete. Moreover, production costs can vary based on various factors that are not relevant to the value of the product actually provided, including such factors as the workload of the printer at the time of the order, the extent of any licensing fees, etc. (Of course, whichever approach is used, these differences could be mitigated so long as the range of fees is large enough to accommodate these differences in cost so as to mitigate irrelevant differences that should not be reflected in the price.) Whether the fees are based on markup of costs or multiples of postage is less consequential than that the final prices be commensurate with the high quality of the products and with their status as completely discretionary, premium items. They must also be fairly priced in comparison to commercially available substitutes.