

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-51-57, 61, 62, 64-67)

The United States Postal Service hereby provides its responses to the following interrogatories of David B. Popkin, filed on April 16, 2007: DBP/USPS-51-57, 61,62, 64-67. Objections have been filed to interrogatories DBP/USPS-58-60, 63, and 68.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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

DBP/USPS-51 Please refer to your response to Interrogatory DBP/USPS-20. Please provide the reasons why certain items are on sale at local post offices but not at the SFS in Kansas City particularly since a significant number of items remain unsold.

RESPONSE:

PSS and PSC are distributed to Stamp Distribution Offices (SDOs), which in turn distribute them to postal retail outlets. As long as an item is in inventory at an SDO, it can be transferred to SFS. Once the supply is exhausted at SFS and the SDOs, the item is taken off sale at SFS. The items remaining unsold would be located at postal retail outlets. Due to the number of retail outlets, the total quantities may appear significant; however, the number at any given outlet may be quite small or zero. Please see the response to DBP/USPS-6.

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

DBP/USPS-52 Please refer to your response to Interrogatory DBP/USPS-21. Since an average of 45-percent [and as much as 65-percent on one issue] of the Premium Stamped Cards and an average of 59-percent of the Premium Stamped Stationery remain unsold at the end of March 2007, please explain how this affects the net profit and the cost coverage for these items.

Baseball Sluggers	30000	11472	18528	62%
DC Super Heroes	30000	19705	10295	34%
Disney Romance	30000	10593	19407	65%
Southern Florida Wetland	10000	8165	1835	18%
Disney Celebration	30000	21380	8620	29%
50s Sporty Cars	35000	16157	18843	54%
Let's Dance	30000	11126	18874	63%
Cloudscapes	45000	30984	14016	31%
Disney Friendship	68000	37434	30566	45%
Art of the American Indian	35000	22669	12331	35%
Garden Bouquet	30000	11364	18636	62%
Disney Friendship	40000	17246	22754	57%
	Number Printed	Total Sold as of 3/30/07	Number Unsold as of 3/30/07	Percent Unsold as of 3/30/07
All Card Items	343000	189685	153315	45%
All Stationery Items	70000	28610	41390	59%

RESPONSE:

The level of sales obviously affects the amount of revenue from each issuance and therefore the difference between identifiable costs and revenue, if that is what the question means by "net profit." If "cost coverage" is defined as price divided by attributable unit costs, sales volume has no effect on "cost coverage." See the responses to OCA/USPS-T1-20-22 and DBP/USPS-4(c).

RESPONSE OF THE UNITED STATES POSTAL SERVICE
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DBP/USPS-53 Please refer to your response to Interrogatory DBP/USPS-21. Please explain why so many items are printed when for the items listed with a printing of 30,000 or more [all but one item] at least 29% or more of the items remain unsold after a period of as much as two and one-half years.

RESPONSE:

Please see the responses to DBP/USPS-6 and 51.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
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DBP/USPS-54 Please refer to your response to Interrogatory DBP/USPS-24. Please explain why the price of all of the stamped card size PSCs that have been issued since 2002 have been sold for more than twice the price of the three cards that were sold at the 48.75% rate.

RESPONSE:

The question cannot be answered as stated; prior issuances were not priced on the basis of the posited calculation, but rather as explained in the response to DBP/USPS-43.

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

DBP/USPS-55 Please refer to your response to Interrogatory DBP/USPS-25. Please confirm, or explain if you are unable to confirm, that if a rate as high as 3 times the stamped card rate is approved that it could be used for all PSC items regardless of whether they are similar to the current items or are a yet to be issued higher quality or special edition version or even are of a lesser cost than the current items.

RESPONSE:

If a range of fees is ultimately implemented as proposed, the Postal Service would have the discretion to price particular issuances anywhere within the range, based on its judgment of factors in addition to production costs, as discussed in previous answers, such as product quality, expected demand, the nature of the design, artistic quality, and any other factors of unique applicability to a particular issuance. The Postal Service is therefore unable to confirm that it would price all future issuances the same regardless of such factors, as the question hypothesizes. If the Postal Service's intention were to price all future issuances at the price point specified, (or any other particular price point), it would have made a simpler proposal requesting recommendation of a fixed fee, rather than a range of fees.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
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DBP/USPS-56 Please refer to your response to Interrogatory DBP/USPS-30 subpart a. Please confirm, or explain if you are unable to confirm, that the Postal Service does not believe that the use would decline if the price was reduced.

RESPONSE:

As stated in the response to DBP/USPS-30 subpart a, "The Postal Service is unaware of any studies that reveal the price elasticity of demand for PSS or PSC." In general, it is an accepted principle that pricing premium items too low may actually suppress demand by giving the wrong price signal.

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DBP/USPS-57 Please refer to your response to Interrogatory DBP/USPS-30 subpart b.

[a] Please confirm, or explain if you are unable to confirm, that the PSC and PSS items are advertised in the SFS publication USA Philatelic.

[b] Please confirm, or explain if you are unable to confirm, that the SFS publication USA Philatelic is designed as the official source for stamp enthusiasts.

[c] Please advise the print and distribution quantities of a recent issue of USA Philatelic.

[d] Please advise other methods, including quantities and extent, that the Postal Service uses to advertise the sale of PSC and/or PSS items.

[e] Please confirm, or explain if you are unable to confirm, that the SFS publication USA Philatelic has contained in various issues all of the PSC and PSS items that have been issued.

[f] Please discuss the extent to which the various methods of advertising provided in your response to subpart d of this interrogatory have advertised all of the PSC/PSS items or have been limited only to specific issues.

RESPONSE:

(a) Confirmed.

(b) Confirmed, as is stated on the cover.

(c) 628,000.

(d) Advertising methods and quantities may vary with various issuances and can include posters in retail lobbies, sales sheets, placement in the Guide to U.S. Stamps, and on usps.com.

(e) Confirmed.

(f) Please see the response to part (d) above.

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

DBP/USPS-61 Please refer to your response to Interrogatory DBP/USPS-35.
Please advise the date that the Number Sold entry is as of.

RESPONSE:

December 14, 2006.

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

DBP/USPS-62 Please refer to your response to Interrogatory DBP/USPS-35 subpart c.

Please confirm, or explain if you are unable to confirm, that the following calculations were utilized in obtaining the data:

[a] The Postage Revenue was determined by multiplying the Postage by the Items/Pack by the No. Packs Sold.

[b] The Total Revenue was determined by multiplying the No. Packs Sold by the Price per Pack.

[c] The Non-Postage Revenue was determined by subtracting the Postage Revenue from the Total Revenue.

RESPONSE:

Confirmed.

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

DBP/USPS-64 Please refer to your response to Interrogatory DBP/USPS-36 subparts g and h. A response was not made to these subparts. Please provide.

[DBP/USPS-36

- (g) Please confirm, or explain if you are unable to confirm, that the average unit retail price is subject to a large change if there is a change in the make-up of the sample items particularly since there is such as variability of prices, namely a 13.41 to one for stationery and 4.18 to one for postcards and since there is only a small sample size.
- (h) Please specifically advise how the specific items were chosen for the samples.]

RESPONSE:

- (g) By definition, the average unit retail price is subject to change if there is a change in the items averaged. As stated in USPS-T-1 on page 5, the purpose of the sample is to show “the ranges in market prices of commercially available products that might serve as substitutes for the [Premium Stamped] stationery and cards if they were not stamped.”
- (h) As stated in the response to OCA/USPS-T1-1 subpart b, “All samples were supplied by USPS Stamp Services in December 2006 with the exception of those annotated with an asterisk that were part of [the witness’s] personal collection.” The items were chosen to illustrate the ranges in market prices, as stated in response to DBP/USPS-36(g).

RESPONSE OF THE UNITED STATES POSTAL SERVICE
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DBP/USPS-65 Please refer to your response to Interrogatory DBP/USPS-36 subpart e, Please provide an illustration of the front and rear sides of Stationery items 11 through 14.

RESPONSE:

Attached.

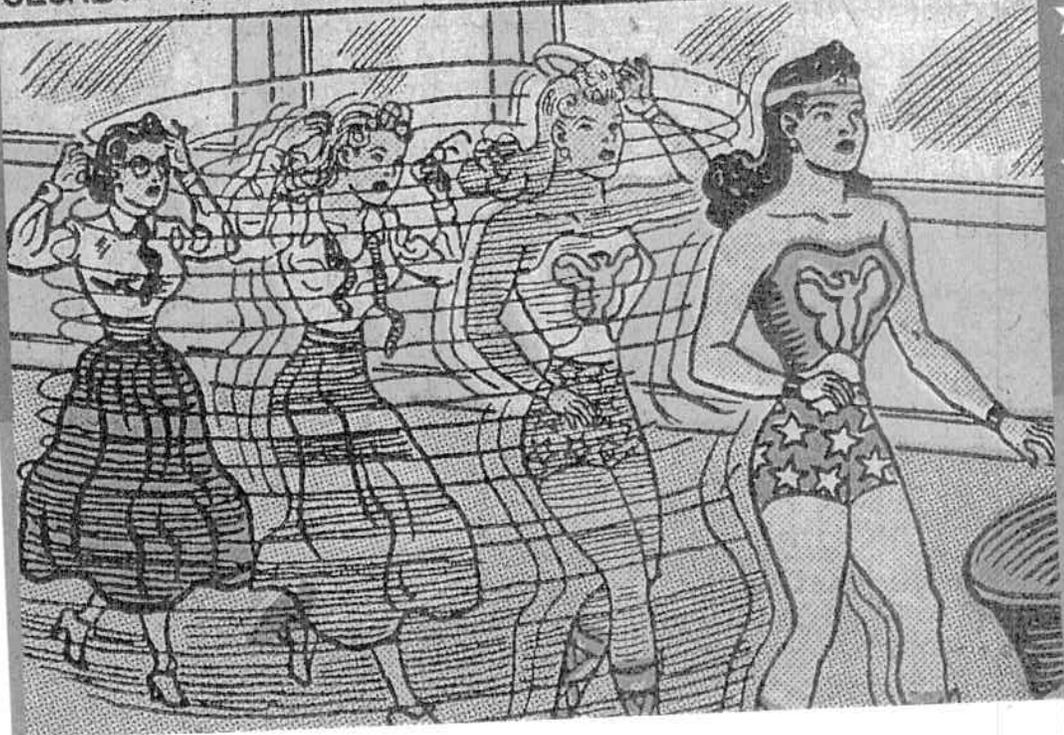


BACK

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FRONT

WITH EYE-BLURRING SPEED, DI CHANGES INTO HER
SECRET IDENTITY OF THE FAMOUS AMAZON ---



BACK

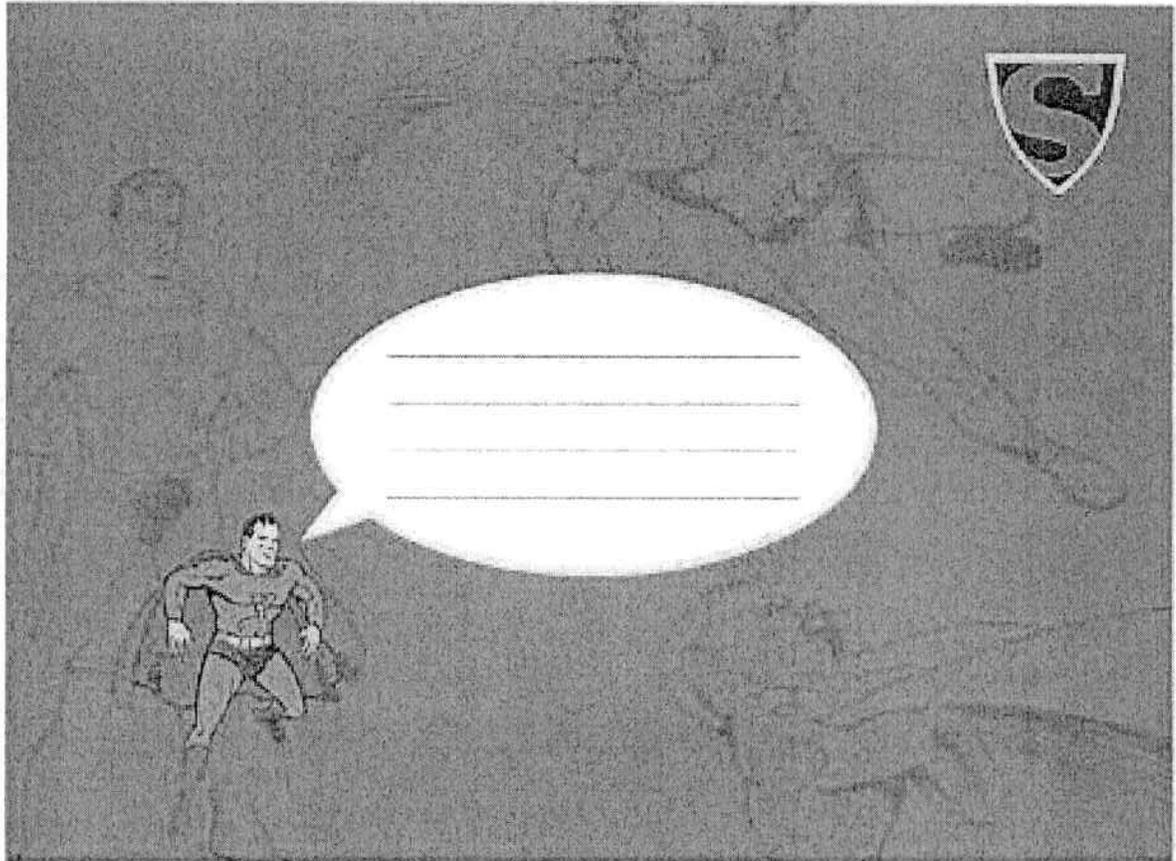
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RESPONSE OF THE UNITED STATES POSTAL SERVICE
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DBP/USPS-66 Please refer to your response to Interrogatory DBP/USPS-36 subparts e and f. Please provide a measurement of the thickness of the Stationery items 11 through 14 and of the two versions of the USPS PSS.

RESPONSE:

The Postal Service's two Premium Stamped Stationery issuances were printed on 80-pound paper stock. The Postal Service does not possess information regarding the technical specifications of the commercial products.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
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DBP/USPS-67 Please refer to your response to Interrogatory DBP/USPS-36. Please advise the statistical level of confidence that is associated with each of the two Average Unit Retail Price of Samples that appear in the charts.

RESPONSE:

Assuming a normal distribution for the price of stationery comparable to PSS, the average unit retail price of the stationery samples yields a 95% confidence level for the interval (\$0.62; \$1.61). Consequently, the probability is 95% that this interval contains the population mean unit retail price of stationery comparable to PSS. Assuming a normal distribution for the price of postcards comparable to PSC, the average unit retail price of the postcard samples yields a 95% confidence level for the interval (\$0.29; \$0.71). Consequently, the probability is 95% that this interval contains the population mean unit retail price of postcards comparable to PSC.