



June 28 2007

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

RE: Docket No. MC2005-3

Dear Mr Williams:

In accordance with the Commission's Opinion and Recommended Decision on Rate and Service Changes to Implement Baseline Negotiated Service Agreement with Bookspan, Docket No. MC2005-3, the Postal Service's second six-month report on items 7 and 8, covering the period December 1, 2006 – May 30, 2007, is attached.

Sincerely,

Scott L. Reiter
Attorney

Docket No. MC2005-3 Data Collection Report
Bookspan NSA
December 2006 – May 2007

- 7. A narrative comparison of Bookspan's actual volumes by rate category with:**
- a. Before rates forecast**
 - b. After rates forecast**
 - c. Subclass totals**
 - d. Relevant benchmarks (such as book companies, publishers, negative option customers) based on research using available and/or commissioned sources where possible.**
- a. Bookspan's actual volume for the six month period of December 2006 – May 2007 is 52 percent above its implied Before Rates forecast (presented in the filing on an annual basis). As expected, due to the previous six month below monthly average mail volumes, this six-month period increased significantly.
- b. Bookspan's actual volume for the six month period of December 2006 – May 2007 is 13 percent above its After Rates forecast. As stated above, this significant increase was expected in comparison to the uniform average monthly volume implied by the annual forecast in the filing.
- c. The subclass totals for the six month period shifted compared to historical subclass totals of FY04. Specifically, total Standard Mail Automation letter-size mail volumes shifted to 80 percent for the period of December 2006 to May 2007 compared to 91 percent in FY04. This shift is reflected by decrease in the Auto 3 Digit rate category (representing 57 percent compared to 65 percent in FY04), and in the Auto AADC rate category, representing 6 percent compared to 13 percent in FY04 and Auto Mixed AADC (5 percent compared to 8 percent). However, there was an increase in Auto 5 digit (12 percent compared to 5 percent). The Non-Automation mail volume share declined from 1.7 percent to 0.5 percent within total letter-size Standard Mail and, increased significantly within ECR volume, from 7.4 percent to 19.5 percent.
- d. April 2007 bookstore sales dropped by 6.0 percent compared the same period last year. This was the tenth month in a row that book sales failed to keep pace with the previous year's results according to the Bureau of the Census, Current Retail Trade Branch. The year-to-date sales for the period January to April 2007 is down 4.3 percent over 2006 for Retail Bookstores while overall retail sales increased 3.1 percent. According to the Association of American Publishers (AAP) for the categories relevant to Bookspan the following year-to-date sales were: Adult Hardcover up by 19.4 percent, Adult paperback down 2 percent, Adult Mass Market declined 9.3 percent, Children's Hardcover increased 20 percent, Children's Paperback increased 8 percent and Audio Books increased 14.3 percent.

Until recently, Bookspan was a partnership between Bertelsmann AG and Time Inc. In April, Bertelsmann purchased the 50% share of Bookspan that had been owned by Time Inc. Bookspan continues to use the same designated permits to enter Bookspan mail eligible for NSA discounts.

8. Standard Mail letter-size volume that included strategic business alliance inserts by rate category.

Bookspan cancelled their strategic business alliance program therefore none of their mailings included inserts from a strategic business alliance.