

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

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**Consideration of Workshare Discount  
Methodologies**

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**Docket No. RM2009-3**

**MOTION OF THE DIRECT MARKETING ASSOCIATION TO ACCEPT AN ERRATA  
TO THE DIRECT MARKETING ASSOCIATION COMMENTS FILED  
SEPTEMBER 11, 2009**

On September 11, 2009 the Direct Marketing Association (DMA) filed its comments to Order No. 243 in this docket. We inadvertently omitted a spread sheet that explained the calculation of net revenue from differing rate relationship scenarios outlined in our comments and in the appendix.

DMA believes that no party will be prejudiced by this late filing of this errata, particularly since the spread sheet will enhance the understanding of our comments. Therefore, DMA respectfully requests that the Commission accept this late filing of our omitted spread sheet.

Respectfully submitted,

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DATED: September 15, 2009

## Maximizing Contribution within First-Class Letters

	Single-Piece Letters	Presort Letters	Standard Regular Letters	Source
<b>Current Prices</b>				
<b>Current Price</b>	0.428	0.337	0.185	1
<b>Current Workshare Discount</b>	0.091			2
<b>Current Attributable Cost</b>	0.252	0.112	0.096	3
<b>Current Contribution</b>	0.176	0.225	0.089	4
<b>Own-Price Elasticity</b>	-0.218	-0.250		5
<b>Workshare Discount Elasticity</b>	-0.057	0.096		6
<b>First-Class Workshare Letter Price Elasticity</b>			0.096	7
<b>Current Volume (000s)</b>	33,509,710	48,379,874	57,086,421	8
<b>New Prices to Maximize Contribution</b>				
<b>New Price</b>	0.488	0.295		9
<b>New Workshare Discount</b>	0.193			10
<b>New Contribution</b>	0.236	0.183	0.089	11
<b>New Price as Percentage of Current</b>	114.0%	87.7%		12
<b>New Workshare Discount as Percentage of Current</b>	211.6%			13
<b>Own Price Volume Effect</b>	97.2%	103.3%		14
<b>Workshare Discount Volume Effect</b>	95.8%	107.5%		15
<b>First-Class Workshare Letter Price Volume Effect</b>			98.7%	16
<b>New Volume as Percentage of Current</b>	93.1%	111.1%	98.7%	17
<b>New Volume (000s)</b>	31,202,918	53,728,440	56,369,690	18
<b>Change in Contribution</b>				
<b>Current Contribution (000s)</b>	5,897,709	10,885,472	5,080,691	19
<b>New Contribution (000s)</b>	7,363,889	9,856,039	5,016,902	20
<b>Increase in Contribution (000s)</b>	1,466,180	-1,029,432	-63,789	21
<b>Total Increase in Contribution (000s)</b>	372,958			22

### Sources:

- 1: Public CRA, Fiscal Year 2008
- 2: Difference in 1 between Single-Piece and Presort
- 3: Public CRA, Fiscal Year 2008
- 4: 1 - 3
- 5: Narrative Explanation of Econometric Demand Equations for Market Dominant Products
- 6: Narrative Explanation of Econometric Demand Equations for Market Dominant Products
- 7: Narrative Explanation of Econometric Demand Equations for Market Dominant Products
- 8: Public CRA, Fiscal Year 2008
- 9: Single-Piece (yellow) set to maximize contribution increase; Presort determined by price cap -- equalizing revenue produced at current volume with current prices
- 10: Difference in 9 between Single-Piece and Presort
- 11: 9 - 3 for Single-Piece and Presort; 4 for Standard Regular
- 12: 9 / 1
- 13: (10 - 2) / 2
- 14: (12 ^ 5)
- 15: (13 ^ 6)
- 16: (12 ^ 7) using Presort price
- 17: 14 \* 15 for Single-Piece and Presort; 16 for Standard Regular
- 18: 17 \* 8
- 19: 4 \* 8
- 20: 11 \* 18
- 21: 20 - 19
- 22: Total of 21 across Single-Piece, Presort, Standard Regular

## Maximizing Contribution within First-Class Letters: With Mitchell 1

	Single-Piece Letters	Presort Letters	Standard Regular Letters	Source
<b>Current Prices</b>				
<b>Current Price</b>	0.428	0.337	0.185	1
<b>Current Workshare Discount</b>	0.091			2
<b>Current Attributable Cost</b>	0.252	0.112	0.096	3
<b>Current Contribution</b>	0.176	0.225	0.089	4
<b>Own-Price Elasticity</b>	-0.218	-0.250		5
<b>Workshare Discount Elasticity</b>	-0.057	0.096		6
<b>First-Class Workshare Letter Price Elasticity</b>			0.096	7
<b>Current Volume (000s)</b>	33,509,710	48,379,874	57,086,421	8
<b>New Prices to Maximize Contribution</b>				
<b>New Price</b>	0.450	0.322		9
<b>New Workshare Discount</b>	0.128			10
<b>New Contribution</b>	0.198	0.210	0.089	11
<b>New Price as Percentage of Current</b>	105.1%	95.5%		12
<b>New Workshare Discount as Percentage of Current</b>	140.9%			13
<b>Own Price Volume Effect</b>	98.9%	101.2%		14
<b>Workshare Discount Volume Effect</b>	98.1%	103.3%		15
<b>Workshare Discount Volume Effect - Piece Shift</b>	-648,839	1,619,708		a
<b>Equalized Workshare Discount Volume Effect - Piece Shift</b>	-648,839	648,839		b
<b>Equalized Workshare Discount Volume Effect</b>	98.1%	101.3%		c
<b>First-Class Workshare Letter Price Volume Effect</b>			99.6%	16
<b>New Volume as Percentage of Current</b>	97.0%	102.5%	99.6%	17
<b>New Volume (000s)</b>	32,503,751	49,599,156	56,833,405	18
<b>Change in Contribution</b>				
<b>Current Contribution (000s)</b>	5,897,709	10,885,472	5,080,691	19
<b>New Contribution (000s)</b>	6,435,743	10,404,017	5,058,173	20
<b>Increase in Contribution (000s)</b>	538,034	-481,455	-22,518	21
<b>Total Increase in Contribution (000s)</b>	34,061			22

### Sources:

- 1: Public CRA, Fiscal Year 2008
- 2: Difference in 1 between Single-Piece and Presort
- 3: Public CRA, Fiscal Year 2008
- 4: 1 - 3
- 5: Narrative Explanation of Econometric Demand Equations for Market Dominant Products
- 6: Narrative Explanation of Econometric Demand Equations for Market Dominant Products
- 7: Narrative Explanation of Econometric Demand Equations for Market Dominant Products
- 8: Public CRA, Fiscal Year 2008
- 9: Single-Piece (yellow) set to maximize contribution increase; Presort determined by price cap -- equalizing revenue produced at current volume with current prices
- 10: Difference in 9 between Single-Piece and Presort
- 11: 9 - 3 for Single-Piece and Presort; 4 for Standard Regular
- 12: 9 / 1
- 13: (10 - 2) / 2
- 14: (12 ^ 5)
- 15: (13 ^ 6)
- a: (15 \* 8) - 8
- b: a for Single-Piece, -a for Presort
- c: (8 + b) / 8
- 16: (12 ^ 7) using Presort price
- 17: 14 \* c for Single-Piece and Presort; 16 for Standard Regular
- 18: 17 \* 8
- 19: 4 \* 8
- 20: 11 \* 18
- 21: 20 - 19
- 22: Total of 21 across Single-Piece, Presort, Standard Regular

## Maximizing Contribution within First-Class Letters: With Mitchell 1 and 2

	Single Piece Letters	Presort Letters	Standard Regular Letters	Source
<b>Current Prices</b>				
Current Price	0.428	0.337	0.185	1
Current Workshare Discount	0.091			2
Current Attributable Cost	0.173	0.112	0.096	3
Current Contribution	0.255	0.225	0.089	4
Own-Price Elasticity	-0.218	-0.250		5
Workshare Discount Elasticity	-0.057	0.096		6
First-Class Workshare Letter Price Elasticity			0.096	7
Current Volume (000s)	33,509,710	48,379,874	57,086,421	8
<b>New Prices to Maximize Contribution</b>				
New Price	0.422	0.341		9
New Workshare Discount	0.081			10
New Contribution	0.249	0.229	0.089	11
New Price as Percentage of Current	98.6%	101.2%		12
New Workshare Discount as Percentage of Current	88.8%			13
Own Price Volume Effect	100.3%	99.7%		14
Workshare Discount Volume Effect	100.7%	98.9%		15
Workshare Discount Volume Effect - Piece Shift	226,792	-546,498		a
Equalized Workshare Discount Volume Effect - Piece Shift	226,792	-226,792		b
Equalized Workshare Discount Volume Effect	100.7%	99.5%		c
First-Class Workshare Letter Price Volume Effect			100.1%	16
New Volume as Percentage of Current	101.0%	99.2%	100.1%	17
New Volume (000s)	33,840,493	48,005,762	57,153,629	18
<b>Change in Contribution</b>				
Current Contribution (000s)	8,544,976	10,885,472	5,080,691	19
New Contribution (000s)	8,426,283	11,000,800	5,086,673	20
Increase in Contribution (000s)	-118,693	115,328	5,982	21
Total Increase in Contribution (000s)	2,616			22

### Sources:

- 1: Public CRA, Fiscal Year 2008
- 2: Difference in 1 between Single-Piece and Presort
- 3: Public CRA, Fiscal Year 2008 for Presort and Standard Regular; for Single-Piece use Mitchell's difference of \$0.061 from Presort
- 4: 1 - 3
- 5: Narrative Explanation of Econometric Demand Equations for Market Dominant Products
- 6: Narrative Explanation of Econometric Demand Equations for Market Dominant Products
- 7: Narrative Explanation of Econometric Demand Equations for Market Dominant Products
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- 9: Single-Piece (yellow) set to maximize contribution increase; Presort determined by price cap -- equalizing revenue produced at current volume with current prices
- 10: Difference in 9 between Single-Piece and Presort
- 11: 9 - 3 for Single-Piece and Presort; 4 for Standard Regular
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- 14: (12 ^ 5)
- 15: (13 ^ 6)
- a: (15 \* 8) - 8
- b: a for Single-Piece, -a for Presort
- c: (8 + b) / 8
- 16: (12 ^ 7) using Presort price
- 17: 14 \* c for Single-Piece and Presort; 16 for Standard Regular
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- 21: 20 - 19
- 22: Total of 21 across Single-Piece, Presort, Standard Regular