

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

POSTAL RATE AND FEE CHANGES  
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON  
TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION  
REDIRECTED FROM WITNESS TAUFIQUE  
[MMA/USPS-T28-1(d)]

The United States Postal Service hereby provides the response of witness Robinson to the above-listed interrogatory of Major Mailers Association, filed on June 3, 2005. These interrogatory has been redirected from witness Taufique to witness Robinson for response. The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 15, 2005

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION  
REDIRECTED FROM WITNESS TAUFIQUE**

**MMA/USPS-T28-1**

Please refer to your proposed rates for First-Class letters, especially as they pertain to the first and second ounces.

- A. Please confirm that the Postal Service has proposed to increase the rate digression between the first ounce and second ounce for First-Class letters. If you cannot confirm, please explain.
- B. Please review the following table of current and proposed rates and digressions between and either confirm that the numbers are correct or make any necessary corrections.

First-Class Rate Category	Current First-Ounce Rate	Current Second-Ounce Rate	Current Rate Digression	Proposed First-Ounce Rate	Proposed Second-Ounce Rate	Proposed Rate Digression
Single Piece	37.0	23.0	62%	39.0	24.0	65%
Presorted	35.2	22.5	64%	37.1	23.7	67%
Mixed AADC	30.9	22.5	73%	32.6	23.7	77%
AADC	30.1	22.5	75%	31.7	23.7	79%
3 Digit	29.2	22.5	77%	30.8	23.7	81%
5 Digit	27.8	22.5	81%	29.3	23.7	85%
Carrier Route	27.5	22.5	82%	29.0	23.7	86%

- C. Please confirm that for standard automation and regular letters, the rate digression between the first and second ounces is 0 %. If you cannot confirm, please explain.
- D. Please explain the rationale for increasing the rate digression between the first and second ounces for single piece and workshare First-Class letters.
- E. Please explain the rationale for why First-Class workshare letters should have a significantly higher rate digression between the first and second ounces than single piece letters have.

**RESPONSE:**

- A. See response of witness Taufique.
- B. See response of witness Taufique.
- C. See response of witness Taufique.

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**RESPONSE to MMA/USPS-T28-1 (continued):**

D. In this case the witness Potter determined that a 5.4 percent across-the-board rate increase was appropriate to recover the costs of the Congressionally-mandated escrow obligation. As discussed in witness Taufique's testimony (USPS-T-28) and in his responses to parts A through C of this question, application of the 5.4 percent rate change resulted in the proposed rates and the associated "degressions" or differences between the first-ounce rates and the additional ounce rates for single-piece and presorted rates. The intent, in this case, was to increase ALL rates by 5.4 percent (subject to rounding constraints) to equitably distribute the equity burden to all customers on the basis of revenue. The proposed first-ounce and additional ounce rates for single-piece and presorted First-Class Mail are constructed to do this.

Clearly alternate proposals could have either increased or decreased the degression for single-piece or presorted First-Class Mail. For example, the single-piece degression could have been increased if a higher first-ounce single-piece rate had been proposed in conjunction with the proposed 24-cent single-piece, additional ounce rate. Alternatively, the presorted degression could have been reduced if a higher presorted additional ounce rate had been proposed in conjunction with the proposed presorted First-Class Mail first-ounce rates. While, either of these options (or any of several other possible proposals affecting the degression) may

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**RESPONSE to MMA/USPS-T28-1 (continued):**

have been considered to meet some pre-established ratemaking goal, the ultimate effect of a deviation from the 5.4 percent, across-the-board proposal to establish a desired degression, would be to reallocate the escrow burden within First-Class Mail on the basis of either weight, the amount of worksharing, or both. Because the escrow requirement does not vary with weight or the degree of worksharing, and is not based on the provision of any postal service, it would be unreasonable to propose that any of these bases be used to allocate the escrow-related increase in the revenue requirement. Given the lack of association of the escrow requirement with the provision of postal services, I do not believe that it would be fair and equitable to exempt any subclass or portion of a subclass – either partially or totally – from an equal share in this Congressionally-mandated burden. See responses to VP/USPS-T27-5(d), VP/USPS-T27-6(f)(iii), POIR No. 4, Question 3(c), POIR 5, Question 4(c), and MMA/USPS-1(B).

E. See response of witness Taufique.