

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 ALTAF H. TAUFIQUE TO INTERROGATORY OF
MAJOR MAILERS ASSOCIATION [MMA/USPS-T28-1(a-c, e)]

The United States Postal Service hereby files the response of witness Taufique to the above-listed interrogatory of the Major Mailers Association, filed on June 3, 2005. Subpart (d) has been redirected 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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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO MAJOR MAILERS ASSOCIATION INTERROGATORY**

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. Confirmed. I would note that the percentage calculation of degression is different from any other discussions in the past by the Postal Rate Commission and the Postal Service, to the best of my knowledge. Instead, degression has always been defined as the absolute gap between the first ounce rate and the additional ounce rate. In this case, that gap has increased in every instance. Also, I would note that if degression is defined as the ratio of the additional ounce rate to the first-ounce rate, then the proposed rate degression would be the same as the

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO MAJOR MAILERS ASSOCIATION INTERROGATORY**

RESPONSE to MMA/USPS-T28-1, Page 2 of 3:

current rate degression in the table provided, e.g., 23 cents divided by 37 cents provides ratio of 62 percent, which is the same as 24 cents divided by 39 cents.

B. Not confirmed. I have provided two corrected tables. The first, Table A, uses the definition of degression used in your question. The second, Table B, uses the definition of degression commonly used by the Postal Service and the Commission. Also I have changed the headings “Current Second-Ounce Rate” and “Proposed Second-Ounce Rate” to “Current Additional-Ounce Rate” and “Proposed Additional-Ounce Rate.”

Table A

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

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO MAJOR MAILERS ASSOCIATION INTERROGATORY**

RESPONSE to MMA/USPS-T28-1, Page 3 of 3:

Table B

First-Class Rate Category	Current First-Ounce Rate	Current Additional-Ounce Rate	Current Rate Degression	Proposed First-Ounce Rate	Proposed Additional-Ounce Rate	Proposed Rate Degression
Single Piece	37.0	23.0	14.0	39.0	24.0	15
Presorted	35.2	22.5	12.7	37.1	23.7	13.4
Mixed AADC	30.9	22.5	8.4	32.6	23.7	8.9
AADC	30.1	22.5	7.6	31.7	23.7	8.0
3 Digit	29.2	22.5	6.7	30.8	23.7	7.1
5 Digit	27.8	22.5	5.3	29.3	23.7	5.6
Carrier Route	27.5	22.5	5.0	29.0	23.7	5.3

C. Confirmed. It is also worth noting that the Standard Mail rate structure is considerably different in many other respects. As such, it is difficult to look at the rate degression issue in isolation.

D. Redirected to witness Robinson.

E. I do not agree with the definition of rate degression used in your question. Based on the traditional definition (absolute difference between the first-ounce and additional-ounce rates), the rate degression actually shrinks as the level of workshare increases. This relationship changes because the workshare discounts are based upon cost avoidance and are applied to the first-ounce rates rather than the additional ounce rates.