

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes : Docket No. R2006-1
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FIRST SET OF INTERROGATORIES OF TIME WARNER INC.
TO UNITED STATES POSTAL SERVICE WITNESS TANG
(TW/USPS-T35-1-9)
(May 18, 2006)

Pursuant to sections 25, 26 and 27 of the rules of practice, Time Warner Inc. directs the following interrogatories to United States Postal Service witness Tang (USPS-T-35).

If witness Tang is incapable of providing an answer to any question, it is requested that an answer be provided by the Postal Service as an institution or by another person capable of providing an answer.

Respectfully submitted,

s/ _____
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FIRST SET OF INTERROGATORIES TO WITNESS TANG (USPS-T-35)

TW/USPS-T35-1 Please refer to pages 6 and 7 of your testimony (USPS-T-35), beginning on line 22 of page 6, where you say: "I propose a 37 – 63 split between revenue to be raised from pounds and pieces." Please refer also to your rate design workbook "R2006-1 Outside County.xls" (in USPS-LR-L-126), sheet 'Rate Design Input,' cell C15.

- a. Please confirm that cell C15 shows a target split of 37.5 – 62.5 instead of 37 – 63.
- b. Please confirm that your proportion in C15 was applied to a revenue requirement less fees less Ride-Along revenue, before the 5 percent discount for the preferred categories. See cells C3 and C4 on sheet 'Piece Discounts' in your rate design spreadsheets. If you do not confirm, please identify the figure to which you applied your proportion.
- c. Please confirm that the revenues on the 'Rates' sheet (before the 5 percent discount on line 53 and the fees and the Ride-Along revenue) show 36.96 percent of the revenue being obtained from the pound rates, assuming the container charge is not a pound rate. If you do not confirm, please provide an appropriate estimate of your own.

TW/USPS-T35-2 Please refer to your rate design workbook "R2006-1 Outside County.xls" (in USPS-LR-L-126). The formula in cell F82 on the 'Pound Data' sheet divides revenue needs by weighted pounds and the formula in cell F73 on the 'Pound Data_Adv' sheet divides by unweighted pounds. Please explain which is the appropriate procedure.

TW/USPS-T35-3 Please refer to your rate design workbook "R2006-1 Outside County.xls" (in USPS-LR-L-126), sheet 'Pound Data_Adv,' cell F101. Please explain all reasons why the revenue obtained from your pound rates is only 97.04 percent of your target revenue, rounding effects being one possible reason.

TW/USPS-T35-4 Please refer to page 10 of your testimony (USPS-T-35), lines 10-13, where you explain that the editorial pounds of Science of Agriculture (SoA) publications should receive rates set at 75 percent of the rates for the corresponding editorial pounds of Regular publications, which you say is "consistent with the introduction of destination entry rates for other non-advertising pounds." (line 13.)

- a. Please confirm that you are proposing to grant a rate preference to editorial pounds in SoA publications beyond what is required by Congress in P.L. 103-123 (the Revenue Forgone Reform Act). Explain any failure to confirm.
- b. Please explain the policy basis for exceeding the special consideration granted to SoA publications by Congress.
- c. Please identify the rate categories where you make up the revenue loss from the rate preference for SoA editorial pounds that you are proposing.
- d. Do you agree that SoA publications already receive larger dropship discounts than Regular publications on their advertising pounds, due to the preferred rates for SoA publications granted in P.L. 103-123? If you do not agree, please explain.
- e. If the editorial pound rates for SoA publications, zones 1-2 and closer, were set equal to the editorial pound rates you are proposing for Regular publications, do you agree that SoA publications would receive the same dropship discounts on their editorial pounds that you are proposing for Regular publications? If not, please explain.
- f. Please explain why SoA publications should receive dropship discounts on their editorial pounds, zones 1-2 and closer, that are greater than the dropship discounts received by Regular publications, and why this is necessary to be “consistent with the introduction of destination entry rates for other non-advertising pounds.”

TW/USPS-T-35-5 Please refer to your rate design workbook “R2006-1 Outside County.xls” (in USPS-LR-L-126), sheet ‘Pound Data_Ed,’ cell C22. Please explain the meaning and the role of the figure “0.203” in the cell.

TW/USPS-T35-6 Please refer to page 9 of your testimony (USPS-T-35), lines 20-24, where you say: “In order to make sure that the ECSI value from editorial pounds is recognized and reflected in rate design, an adjustment of \$0.013 is applied to the average editorial pound rate. The revenue leakage caused by this adjustment is added back to the total revenue required from the pound side and allocated to both the editorial and advertising sides.” See also your rate design workbook “R2006-1 Outside County.xls” (in USPS-LR-L-126), sheet ‘Pound Data_Ed,’ cells C45 through C47, and dependent cells.

- a. In reference to cell C45, please explain how you developed the “adjustment” of 0.013 that you propose. Specifically, what is it that signaled you that an adjustment was needed and how did you

develop the size of it? Please include copies of any analysis you did of the size and the adequacy of the recognition of ECSI value.

- b. Please provide a walk-through indicating where and how you apply the “adjustment” of 0.013 to any “average editorial pound rate” in your spreadsheets.
- c. Please confirm that you calculate the “revenue leakage caused by this adjustment” as the sum of 0.013 times the pounds of non-SoA editorial zones 1-2 and above plus 0.013 times the pounds of SoA editorial above zones 1-2, as shown in cells C46 and C47.
- d. In postal parlance, a leakage would exist if the pounds referred in part c were charged 1.3 cents per pound less than they would have been otherwise. Please show where in your spreadsheets the “otherwise” rate is.
- e. Assume that the recognition of ECSI value takes place by making the rates for editorial pounds lower than the rates for advertising pounds. If, as you suggest, the leakage value “is added back to the total revenue required from the pound side and allocated to both the editorial and advertising sides,” please explain how and to what extent this adjustment increases the recognition of ECSI value. Please be specific about the separate effects this procedure had on the pound rates for both advertising and editorial pounds, and on the difference between them.

TW/USPS-T35-7 Please refer to your rate design workbook “R2006-1 Outside County.xls” (in USPS-LR-L-126), sheet ‘Pound Data_Adv,’ cells D58 and D59. These cells appear to divide a transportation cost by the volume associated with that cost. Please explain the role of the factor “0.75” in these cells, which appears to reduce the number of pounds below the level that actually exist.

TW/USPS-T35-8 Please refer to your rate design workbook “R2006-1 Outside County.xls” (in USPS-LR-L-126), sheet ‘Piece Discounts,’ cell C3. Please explain whether the Ride-Along revenue deducted should be at proposed rates instead of at current rates.

TW/USPS-T35-9 You propose to establish a container charge equal to 85 cents per container. Please state how the charge will be applied in the following situations and explain the reasoning behind your answer.

- a. Assume a letter shaped publication is entered in letter trays. Will there be a charge of 85 cents per tray? If no, why not?

- b. Assume a small flats shaped publication is entered in flats tubs. Will there be a charge of 85 cents per tub? If no, why not?
- c. Assume that a Periodical mailer brings to a postal plant a truck in which flats bundles are bed loaded, requiring postal employees to go inside the truck to manually retrieve the bundles. Will this mailer avoid the container charge altogether? If no, what kind of charge will he pay?
- d. Assume that a periodicals mailer enters flats bundles in APC's or other rolling containers. Will there be a container charge for the use of each container?