

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS KIEFER
TO INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T36-11-15)

The United States Postal Service hereby files the responses of witness Kiefer to above-listed interrogatories, filed on June 30, 2006.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 14, 2006

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NAA/USPS-T36-11: Prior to revising your testimony to estimate no conversion from DALs to on-piece addressing of saturation flats in the Test Year, you had assumed a 50 percent conversion rate. Did you have any basis for assuming whether the converting mail would have been piece-rated or pound-rated?

RESPONSE:

No. The 50 percent reduction in DAL usage was a general assumption and was not assumed to fall disproportionately on piece-rated or pound-rated pieces.

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NAA-USPS-T36-12: In First-Class Mail, a goal of witness Taufique's proposal is to obtain similar unit contributions from Single-Piece letters in the aggregate and from Presort letters in the aggregate. In Standard Regular and ECR mail, do you consider it desirable to achieve similar unit contributions from any particular categories of mail?

RESPONSE:

No. Measuring unit contribution in Standard Mail below the subclass level is difficult because, unlike First-Class Mail, Standard Mail does not have CRA costs below the subclass level. Even if appropriate cost data were available at the detailed rate category level, achieving the same unit cost contribution by rate category is not an overriding goal of the Postal Service in its Standard Mail rate designs.

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NAA/USPS-T36-13: Please refer to your response to NAA/USPS-T36-1. Assume an alternative rate design in which the rate for a Basic ECR flat was set higher than for a Basic letter (*i.e.*, no non-zero passthrough of the cost difference). How would that be less supportive of the Postal Service's automation and sequencing goals than your proposal to set the Basic flat rate equal to the letter rate?

RESPONSE:

If the Basic ECR letter rates were set below, rather than equal to, the Basic ECR flat rates, the rate differential between the Basic ECR letter rates and the Standard Mail Regular 5-digit Automation letter rates would narrow, or possibly reverse (*i.e.* the Basic ECR letter rates would be below the 5-digit Automation rates). This reduction or reversal of the rate differential would diminish the incentive for mailers to prepare larger trays of 5-digit presorted automation compatible letters that can be directly delivery point sequenced at plants. Reducing this incentive would therefore be less supportive of the Postal Service's letter automation goal to sequence as many letters as possible at plants.

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NAA/USPS-T36-14: What consideration did you give to the effect of the rate increases proposed for Standard ECR High Density on mailers of High Density flats?

RESPONSE:

As part of the overall rate design, I attempted to ensure that High Density flats mailers were not asked to pay rate increases that were excessively higher than mailers of similarly prepared flat-shaped mail. Please see the sample percentage rate increases shown on my worksheet WP-STDECR-17. While it may appear at first glance that Saturation flats mailers are getting rate increases that are well below those requested for Basic and High Density flats mailers, it should be kept in mind that the percentage increases shown in WP-STDECR-17 are for Saturation flats mailers that choose to put addresses on their mail pieces, rather than use detached address labels. Mailers currently using DALs that continue to use DALs will experience significantly higher rate increases. For example, mailers of minimum per piece-rated Saturation flats that continue to use DALs will pay an additional 1.5 cents per piece over the rates shown in WP-STDECR-16. This translates into rate increases from 16.6 percent for origin-entered flats down to 14.0 percent for DDU-entered flats, all above the increases that I am proposing for comparable High Density flats mailers. Mailers of pound-rated High Density flats who enter their mail at DSCFs or DDUs (which represents the most volume in that tier), will also have opportunities to enjoy below-subclass-average rate increases. For example, a 6-ounce flat (the average weight for pound-rated High Density nonletters in FY 2005) will experience rate increases below 5.5

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percent under my rate proposals. This is significantly below the subclass average increase of 7.8 percent, measured at constant volumes (see WP-STDECR-22).

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NAA/USPS-T36-15: Please state your understanding of the rate categories of mail used by newspaper Total Market Coverage programs.

RESPONSE:

My understanding is that these mailers use predominantly ECR High Density and Saturation flats rates.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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