

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

NOTICE OF UNITED STATES POSTAL SERVICE OF FILING OF  
REVISIONS TO THE REBUTTAL TESTIMONY OF  
WITNESS TAUFIQUE (USPS-RT-12) [Errata]  
(December 6, 2006)

The United States Postal Service hereby provides notice of the filing of minor revisions to the rebuttal testimony of witness Taufique (USPS-RT-12). On page 3, line 22, "impact on mailers and implementation issues which are" is changed to "impact on mailers, which is." On page 4, the comma in the middle of line 20 is deleted. The revised pages are attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1 For comparison, Standard Mail flats averaged over 400 pieces per container in FY2005.  
2 Therefore, further improvements in Periodicals containerization should be possible, with the  
3 proper incentives and straightforward price signals.

## 4 **II. Current Proposal**

5 The current proposal is a logical continuation of this philosophical approach to provide  
6 modest incentives for improvement in preparation, while avoiding large rate impacts for non-  
7 participants. Witness Tang's testimony (USPS-T-35) provides the justification for the current  
8 proposal and its balanced approach.

9 During the development of the proposal for Periodicals' rate design, my colleague  
10 witness Tang had to consider several options. One option was a complete overhaul of the rate  
11 structure, as proposed by our colleagues representing Time Warner, Inc. Another option was to  
12 reward mail that is already prepared efficiently, as proposed by our colleagues representing the  
13 Magazine Publishers of America, Inc. and the Alliance of Nonprofit Mailers (MPA/ANM), and  
14 supported by U.S. News & World Report, L.P. witness White (USNews-T-1).<sup>2</sup> The third option  
15 was to continue with the balanced approach that has been pursued by the Postal Service. This  
16 approach would continue to improve mail preparation, while being mindful of the impact on a  
17 wide variety of mailers who currently may not be in the position of taking advantage of the co-  
18 palletization and/or comailing opportunities that are being used by other customers.

19 This is not to say that the Postal Service is opposed, in principle, to the type of structural  
20 changes proposed by Time Warner or the type of de-averaging proposed by MPA/ANM with a  
21 5-digit pallet discount. In principle, the Postal Service generally agrees with cost-based rates,  
22 but is concerned with the impact on mailers, which is discussed later in this testimony. A 5-digit

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<sup>2</sup> I recognize that the proponents say that this will encourage new mail to palletize. Nevertheless, the inescapable fact is that 5-digit pallet preparation is already a fairly widespread practice in the community. While it arguably better reflects cost incurrence, it is not the most appropriate tool to encourage more effective containerization either through palletizing or rewarding the more efficient use of sacks.

1 pallet discount is not a bad idea in the abstract, but that type of discount is premature. The  
2 Periodicals' cost coverage is still meager. For all those who are interested in the viability of  
3 Periodicals as a subclass, greater weight should be placed on establishing pricing that leads to  
4 cost-reducing behavior, rather than simply rewarding existing efficient preparation. While nearly  
5 all pricing incentives will reward existing efficient preparation, it is important to construct the  
6 incentives such that they are obtainable for a wide range of mailers, especially those that are  
7 producing high-cost mailings.

8         The Postal Service believes the container rate introduced in the rate proposal sends a  
9 consistent and clear signal to the Periodicals community and continues to provide adequate  
10 incentives to encourage more mail preparation and worksharing. In witness Tang's response to  
11 MPA/USPS-T35-17, she provided the estimate of incentives to 12 publications which are  
12 currently co-palletized. It shows the incentives under the proposed rates would be at least  
13 comparable, if not bigger, for these current co-palletization participants. Moreover, in her later  
14 response to MPA/USPS-T35-28 (c), the updates from the source confirmed that it "may  
15 overstate the number of containers for the twelve publications in the "after" scenario, because  
16 the container count reflects the containers for the entire co-palletized pool, while the piece count  
17 reflects only one publication." While it appears difficult, if not impossible, to isolate container  
18 count of a specific publication from the entire mailing in the after-copal scenario, the "after-  
19 copal" postage has probably been overstated because of the inflated container count. A  
20 reasonable conclusion one can draw is that the actual after-copal postage would have been  
21 lower; hence the incentives offered under the proposed rates would have been even larger.

### 22 **III. Impact on Mailers**

23         We applaud the Commission for directing all the parties to evaluate their proposals on the  
24 basis of a diverse sample set of mailers — comprising 259 individual titles — that was originally  
25 introduced by my colleague witness Tang in Docket No. C2004-1. It was time-consuming and