

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

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF  
THE GREETING CARD ASSOCIATION (GCA/USPS-T28-1) [Errata]

The United States Postal Service hereby files the revised response of witness Taufique to the following interrogatory of the Greeting Card Association: GCA/USPS-T28-1, filed on April 29, 2005. The original response, filed yesterday, should not have included the second sentence on page 2 of the response. The attached revised response deletes that sentence, and makes conforming changes to the following sentence. The interrogatory is stated verbatim and is followed by the response. This filing also includes the Excel version of the spreadsheet attached to the responses, which was inadvertently not included in the electronic filing yesterday.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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May 11, 2005

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE  
TO INTERROGATORIES OF THE GREETING CARD ASSOCIATION

**GCA/USPS-T28-1.** Please refer to pages 4-6 and Table 1 of your prepared testimony, USPS-T28. USPS witnesses Potter (USPS-T1, pp 4-5, 7) and Robinson (USPS-T27, pp. 6-8) state the purpose of this case is to raise sufficient additional revenue to discharge the Public Law 108-18 escrow obligation, by means of substantially equal increases for substantially all categories. In view of this purpose, what is the rationale for enlarging the discount for certain First-Class Presorted and Automation heavy pieces? In addition to explaining this rationale, please furnish any documents in which such rationale or the considerations underlying its development are set forth.

**RESPONSE:**

Generally speaking, all discounts were increased by the overall across-the-board increase of 5.4 percent to ensure that the resulting discounted rates were increased by the same percent, with due regard for rounding constraints for the various rate cells.

If the discounts were held at the current level, while the base from which the discounts are calculated (i.e., the First-Class Mail single piece rate) was increased by 5.4 percent, then the discounted rates would increase by a substantially higher percent than the 5.4 percent target. For example, the attached Excel sheet shows the impact of holding the discounts at the current level. The First-Class Mail nonautomation presort rate would increase by 5.7 percent, compared to the proposed increase of 5.4 percent. Mixed AADC, AADC, 3-Digit and 5-Digit Automation Letter rates would increase by 6.5, 6.6, 6.8, and 7.2 percent, respectively compared to the proposed increases of 5.5, 5.3, 5.5, and 5.4 percent, respectively.

The example of a 4 ounce piece provided in the attached sheet also demonstrates that if the heavy-piece discount is kept constant while other rates increase by 5.4 percent, the postage impact on the 4 ounce piece is higher than 5.4 percent.

Revised May 11, 2005

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**Response to GCA/USPS-T28-1, Page 2 of 2**

We believe that it is fair and equitable for these mail categories to pay the same percent increase as all other rate categories in the subclass. I would also note that, although workshared First-Class Mail is not a subclass, the proposal along the lines suggested in your question would cause these workshare rate categories, which have an implicit cost coverage exceeding all of the subclasses and whose unit cost has in fact declined 2.8 percent (between FY2000 and FY2004), to bear a disproportionate share of the escrow burden.

# Attachment to GCA/USPS-T28-1

## RATE CHANGES WITH CONSTANT DISCOUNTS

### Presorted and Automation Rates

	Current Rate	Proposed Rate w/constant Discounts	Percent Change (Col. D/Col.B)-1
Single-Piece	0.37	0.39	Not Applicable
<b>Presorted</b>			
First Ounce	0.352	0.372	5.7%
Discount	0.018		
<b>Automation Letters</b>			
Mixed AADC	0.309	0.329	6.5%
Discount	0.061		
AADC	0.301	0.321	6.6%
Discount	0.069		
3-Digit	0.292 0.078	0.312	6.8%
5-Digit	0.278 0.092	0.298	7.2%
Automation Heavy Pieces			
	<b>4 Ounce Automation Piece - 3 Digit Presort</b>		
	<b>Current</b>	<b>Proposed w/constant Heavy Pc. Discount</b>	
First Ounce	0.292	0.308	
Additional Ounces	0.675	0.711	
Heavy Piece Discount	-0.041	-0.041	
	0.926	0.978	5.6%