

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes : Docket No. R2006-1
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SECOND SET OF INTERROGATORIES OF TIME WARNER INC.
TO UNITED STATES POSTAL SERVICE WITNESS TANG
(TW/USPS-T35-10)
(June 13, 2006)

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

If witness Tang is incapable of providing an answer, 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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SECOND SET OF INTERROGATORIES TO WITNESS TANG (USPS-T-35)

TW/USPS-T35-10 Please refer to your response to TW/USPS-T35-4 concerning the Science of Agriculture (SoA) rates you propose, and to the current and proposed SoA rates, Request, Attachment A, p. 33, Rate Schedule 421.

You say the newly proposed benefit in the SoA editorial pound rates (for destination-entered pieces [i.e., those entered in zones 1&2, DADC, DSCF, and DDU]) is “to maintain rate relationships between the regular and SOA dropship pound rates so that the SOA editorial dropship pound rate structure mirrors that of the SOA advertising pounds.”

- a. With regard to *editorial* pound rates, the current rate relationship between regular and SoA is that both pay the same unzoned editorial pound rate of 20.3 cents per pound. Is this a rate relationship that you seek to “maintain”? If it is, please explain how you have maintained it. If it is not, please explain what relationship between the editorial pound rates for regular and SoA you wish to maintain.
- b. With regard to *advertising* pound rates, the current rate relationship between regular and SoA is that SoA pays pound rates that are approximately 75 percent of the regular pound rates. Is this a rate relationship that you seek to “maintain”? If it is, please explain how you have maintained it. If it is not, please explain what relationship between the advertising pound rates for regular and SoA you wish to maintain.
- c. With regard to whether the proposed SoA editorial pound rates “mirror” those of SoA advertising, for destination-entered pieces: the four destination-entry rates (in cents per pound, in the order listed above) for SoA editorial are 17.4, 15.7, 14.4, and 11.5, and the corresponding rates for SoA advertising are 20.9, 18.8, 17.2, and 13.6.
 - (i) Please explain the test you would apply to determine whether these two rate structures “mirror” each other.
 - (ii) Please explain why any other set of declining rates for editorial would not “mirror” just as well the declining rates for advertising.
 - (iii) Please explain what is unique or particularly advantageous about the “mirror” relationship you have selected.
- d. Consider the dropship discount received by editorial pounds moving from zone 5 to DSCF. Under the proposed rates, the

pound rates for regular editorial decline from 23.2 cents to 19.3 cents, a difference of 3.9 cents per pound. Similarly, the corresponding pound rates for SoA editorial decline from 23.2 cents to 14.4 cents, a difference of 8.8 cents per pound.

- (i) Do you agree that under the current rates, the zone-5 to DSCF dropship discounts received by both regular and SoA editorial pounds are the same, at zero cents per pound. If you do not agree, please explain.
- (ii) Do you agree that, relative to current rates, the zone-5 to DSCF dropship discount for SoA editorial pounds is being increased by 8.8 cents per pound and that of regular editorial is being increased by only 3.9 cents per pound, the former being 2.26 times as much? If you do not agree, please explain.
- (iii) Please explain why SoA editorial pounds should receive a dropship discount that is 2.26 times the dropship discount received by regular editorial pounds ($2.26 = 8.8/3.9$).
- (iv) Do you agree that zone 5 is not unique in this respect, and that the same results would obtain under your proposed rates for any zone from (and including) zone 3 through zone 8? If you do not agree, please explain.