

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF POSTAL SERVICE WITNESS TANG
TO FIRST INTERROGATORIES OF AMERICAN BUSINESS MEDIA
(ABM/USPS-T35-1-8)

The United States Postal Service hereby files the responses of Witness Tang to the above listed interrogatories, filed on June 9, 2006.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORY OF AMERICAN BUSINESS MEDIA

ABM/USPS-T35-1. (a) Please confirm that, around the time that this case was initiated, the Postal Service prepared and distributed a chart captioned “Examples of Common Price Adjustments” that listed certain types of mail with both current and proposed postage costs on a cents per piece basis. If you cannot confirm, please explain why.

(b) Please confirm that the chart referred to in part (a) above included current and proposed cents per piece postage costs for a “weekly news magazine” weighing 6 ounces with 40% advertising, carrier route presort, SCF entry, on a 2,000 piece pallet amounting to 17.9 cents under current rates and 20 cents at the proposed rates, for an increase of 2.1 cents per copy. If you cannot confirm, please explain why.

(c) Please provide an estimate of the percentage of pieces in a main file mailing of that “weekly news magazine” that can in fact achieve carrier route sortation and SCF entry.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) The mailing referred to in part (b) is purely a hypothetical example. In the universe of Periodicals publications, it is my understanding that some weekly publications might have characteristics similar to the hypothetical example; others will be vastly different. The proportion of pieces on a 2,000 piece SCF pallet that qualify for carrier route rates depends on the size of the SCF service territory, the number of delivery points in each route, and the distribution of subscribers across routes. The proportion of pieces qualifying for carrier route rates on this pallet could be 100 percent in the case, if subscribers are concentrated in a few routes, or 0 percent, if subscribers are distributed equally across many routes.

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ABM/USPS-T35-2. (a) Please confirm that, around the time that this case was initiated, the Postal Service prepared and distributed a chart captioned “Examples of Common Price Adjustments” that listed certain types of mail with both current and proposed postage costs on a cents per piece basis. If you cannot confirm, please explain why.

(b) Please confirm that the chart referred to in part (a) above included current and proposed cents per piece postage costs for an “Opinion journal” weighing 5 ounces with 10% advertising, 3-digit presort, average zone 4 in 50-piece sacks amounting to 29.5 cents under current rates and 34 cents at the proposed rates, for an increase of 4.5 cents per copy, without any change in mailing practices. If you cannot confirm, please explain why.

(c) What size mailing, in number of pieces, is contemplated for this “Opinion journal” that can achieve only a 3-digit presort?

RESPONSE:

(a) Confirmed.

(b) Confirmed that the chart provides the current and proposed postage for a piece with the characteristics specified in the question.

(c) The piece referred to in part (b) is purely a hypothetical example. There was no particular mailing quantity contemplated. The example merely describes the characteristics of a particular piece in order to illustrate a price change. The characteristics of this segment of a mailing is consistent with a mailing of 50 pieces where all subscribers are located in one 3-Digit zone, but it also consistent with a 1,000,000 piece mailing where a particular region has very few subscribers.

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ABM/USPS-T35-3. (a) Please confirm that, around the time that this case was initiated, the Postal Service prepared and distributed a chart captioned “Examples of Common Price Adjustments” that listed certain types of mail with both current and proposed postage costs on a cents per piece basis. If you cannot confirm, please explain why.

(b) Please confirm that the chart referred to in part (a) above included current and proposed cents per piece postage costs for a “local newspaper” weighing 4 ounces, general entry, carrier route presort amounting to 8.5 cents per copy at present rates and 10.5 cents per copy at proposed rates, for an increase of 2 cents per copy, without any change in mailing practices. If you cannot confirm, please explain why.

RESPONSE:

(a) Confirmed.

(b) Confirmed that the chart provides the current and proposed postage for a piece with the characteristics specified in the question.

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ABM/USPS-T35-4. (a) Please confirm that, around the time that this case was initiated, the Postal Service prepared and distributed a chart captioned “Shaping a More Efficient Future” that listed certain types of mail with the current and proposed postage charges in cents per piece as well as “potential modifications” to mailing practices and proposed postage assuming that those practices are implemented. If you cannot confirm, please explain why.

(b) Please confirm that the chart referred to in part (a) above included as the only example of Periodicals an 8-ounce publication, 5-digit auto, and mailed in sacks, with 40 pieces per sack. If you cannot confirm, please explain why.

(c) What advertising percentage was assumed for the mailpiece that is identified in part (b)?

(d) What size mailing, in number of pieces, is contemplated for this publication?

(e) Please confirm that the mailing characteristics of the Periodical example on the chart identified in part (a) are intended to be typical of specialized publications, such as the business-to-business publications of American Business Media members. If you cannot confirm, please explain why and identify the type of publication, if any, of which these mailing characteristics are considered to be typical.

(f) Please confirm that the postage per piece shown on the chart identified in part (a) for the Periodical identified in part (b) amounts to 33.4 cents per piece at present rates and 38.1 cents per piece at the proposed rates, for an increased of 4.7 cents per copy, without a change in mailing practices. If you cannot confirm, please explain why.

RESPONSE:

(a) Confirmed.

(b) Confirmed that the chart provides the current and proposed postage for a piece with the characteristics specified in the question

(c) 40 percent advertising weight.

(d) The mailing referred to in part (b) is purely a hypothetical example. The characteristics of this segment of a mailing is consistent with a mailing that contains 40 pieces for subscribers located in one 5-Digit zone, but is also consistent with a 1,000,000 piece mailing where a particular region has very few subscribers. The example does not include any estimate or contemplation of the mailing’s total volume.

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- (e) The mailing characteristics of the periodical example on the chart identified in part (a) is purely a hypothetical example. Please see my response to ABM/USPS-T35-1(a).
- (f) Confirmed.

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ABM/USPS-T35-5. The chart referenced in ABM/USPS-T35-4 lists as one potential modification for the periodical identified in that interrogatory “Co-palletize with another magazine (1639 per pallet).” With respect to this potential change in mailing practice:

- (a) Is it the Postal Service’s position that pallets averaging 1,639 pieces can be obtained by co-palletizing the publication in the example with “another” publication, or would it take co-palletizing of more than two publications?
- (b) Please provide the Postal Service’s best estimate of the cost in cents per copy to the mailer of the example publication of participation in a co-palletization program, such that the mailer is able to obtain average pallet size of around 1,600 pieces.
- (c) Please confirm that the “proposed price with modification” of 36.1 cents per copy, for a mailer that co-palletizes but does not drop ship, does not include the cost to the mailer of participation in a co-palletization program. If you cannot confirm, please explain why.

RESPONSE:

- (a) The chart captioned “Shaping a More Efficient Future” provides purely hypothetical examples of ways Postal Service customers can change their mailing practices and reduce their postage cost while reducing the cost to the Postal Service. It is not impossible to imagine that there are two publications that, when co-palletized, could produce pallets averaging 1,639 pieces. It is also possible that a group of publications could produce pallets averaging 1,639 pieces by co-palletizing more than two publications. It is my understanding that the sole point of the chart was to show that by changing mail preparation mailers could reduce postage.
- (b) I cannot provide any estimate of the cost to mailers. Rate design is based on Postal Service costs. It is my understanding that the cost to participate in a co-palletization program varies by mailer, and that individual mailers will weigh this cost against the benefit of lower postage.
- (c) Confirmed. See my response to part (b).

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ABM/USPS-T35-6. The chart referenced in ABM/USPS-T35-4 lists as one potential modification for the periodical identified in that interrogatory “As above [referring to co-palletization], but enter at DADC.” With respect to this potential change in mailing practice:

(a) Is it the Postal Service’s position that after co-palletization and efficient drop shipping, the example publication can obtain DADC entry for all or nearly all of its copies? If so, please provide the basis for that position. If not, please estimate the percentage of the copies mailed that can achieve DADC entry.

(b) Please provide the Postal Service’s best estimate of the cost in cents per copy to the mailer of the example publication of drop shipping to a DADC.

(c) Please confirm that the “proposed price with modification” of 31.2 cents per copy for a mailer that both co-palletizes and drop ships does not include the cost to the mailer of participation in a co-palletization program and drop shipping. If you cannot confirm, please explain why.

RESPONSE:

(a) This is purely a hypothetical example of the postage paid for an individual Periodicals piece if it is co-palletized and dropshipped to the DADC. There was no assumption made regarding how many copies can obtain DADC entry. The sole purpose of this example was to show that the prices include features that could reduce postage, and that the proposed rates provide mailers a menu of options to choose from.

(b) I cannot provide any estimate of the cost to mailers. Rate design is based on Postal Service costs.

(c) Confirmed.

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ABM/USPS-T35-7. Please confirm that, based upon charts distributed in May, 2006, by the Postal Service, the mailer of a typical news weekly will pay postage of 20 cents per copy at the proposed rates as long as it continues to drop ship as it does now but without the need to incur any co-palletization (or co-mailing) costs for its main file mailing. If you cannot confirm, please explain why.

RESPONSE:

It is my understanding that the sole point of this example was to show a typical price change. No assumptions were made regarding the need to change mail preparation or the need to co-palletize or co-mail.

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ABM/USPS-T35-8. Please confirm that, based upon charts distributed in May, 2006, by the Postal Service, the mailer of a typical 8-ounce, 5-digit presort, sacked publication will pay postage of 31.2 cents per copy at the proposed rates, but only if it also pays the costs of a co-palletization (or co-mailing) program and the costs of drop shipping, and will pay 38.1 cents per copy if it incurs neither of these costs. If you cannot confirm, please explain why.

RESPONSE:

Please see my response to ABM/USPS-T35-7.