

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

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POSTAL RATE AND FEE CHANGES, 2006

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Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TANG  
TO INTERROGATORY OF TIME WARNER INC.  
(TW/USPS-T35-10)

The United States Postal Service hereby files the response of Witness Tang to the above-listed interrogatory, filed on June 13, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 27, 2006

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS RACHEL TANG TO INTERROGATORY OF TIME WARNER INC.

**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.

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- (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.

**RESPONSE:**

a - c. Currently, the relationship between regular and Science of Agriculture (SoA) rates for advertising pounds is that SoA pound rates for the nearer zones, including DDU, DSCF, DADC, and zones 1 & 2, are based on 75 percent of the pound rates for their regular counterparts. Under the proposal, the Postal Service is introducing separate editorial pound dropship rates for DADC, DSCF, DDU, and zones 1 & 2. The “mirror” proposed has two parts: first, a rate structure that introduces editorial pound dropship rates for DADC, DSCF, DDU, and zones 1 & 2, for both regular and SoA; second, the extension of the 75 percent rate relationship to the proposed corresponding dropship rates for SoA editorial pounds. As I said in my response to TW/USPS-T35-4(e), “... the rate preference treatment has been extended to SOA dropship editorial

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pounds to maintain consistent rate relationships. I do not consider SOA dropship editorial pounds any less deserving of such special consideration than SOA advertising pounds.” So I seek to maintain and extend the 75 percent rate relationship, and maintain the unzoned editorial pound rate, to the extent consistent with the new dropship discounts.

d.

(i) Yes, I agree, since under the current rates, both regular and SoA editorial pounds pay the same unzoned rate of 20.3 cents per pound.

(ii) No, I do not agree. Though the editorial pound rate differentials between the zone 5 rate and DSCF dropship rate are 8.8 cents and 3.9 cents for SoA and regular editorial pounds, respectively, under the current rates there are no DSCF dropship pound rates for SoA or regular editorial pounds to serve as the base for comparison. Therefore, it is not a meaningful comparison to state “relative to current rates, the zone 5 to DSCF dropship discount for SOA editorial pounds is being increased by .... and that of regular editorial is being increased by ...”. The rate structure has been changed and new dropship editorial pound rates are being introduced under the proposal.

(iii) Please see my response to (ii). This results from the transition to new dropship rates in which the 75 percent rate relationship is extended to SoA editorial pounds.

(iv) Please see my response to (ii). I agree that Zone 5 is not unique.