

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T32-1 THROUGH 3)

The United States Postal Service hereby files the responses of witness
Altaf H. Taufique to the following interrogatories of Newspaper Association of
America: NAA/USPS-T32-1 through 3, filed on June 29, 2006.

The interrogatories are stated verbatim and are followed by the
responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO THE INTERROGATORY OF NEWSPAPER ASSOCIATION OF AMERICA**

NAA/USPS-T32-1: What are the unit institutional cost contributions for First Class single-piece letters, presort letters, flats, and parcels at your proposed rates?

RESPONSE

Please see my revised response to PSA/USPS-T32-5.

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NAA/USPS-T32-2: Please refer to page 23, lines 5-15 of your testimony. Please discuss the economic rationale behind the use of different pass-through percentages at the first ounce for single piece flats and single piece parcels.

RESPONSE

The reason for using passthroughs of less than 100 percent for both flat and parcel shaped pieces is to mitigate the impact of the rate structure on lighter weight flat and parcel shaped pieces. The passthroughs are different (for flats and for parcels) since that allows for separate consideration of the impact of the prices on mailers of each shape.

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NAA/USPS-T32-3: Please confirm that, in general, setting the rates for First Class flats and parcels at a larger pass-through of the cost differences would have the tendency to reduce the unit cost contributions of letters. If you cannot confirm, please explain why not.

RESPONSE

All else equal, if the passthroughs of the shape-related cost differences were greater, then more revenue might come from flats and parcels, which could enable a reduction in prices (and perhaps resulting contribution) for some other rate element or category, including, for instance, letters, or the additional ounce rate. My rate design (including the passthrough selection) balances all of the objectives of the rate design, including the resulting rate implications.