

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC.
(MPA/USPS-T35-17)

The United States Postal Service hereby files the response of Witness Tang to the above listed interrogatory, filed on July 17, 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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RESPONSE OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC.

MPA/USPS-T35-17. This question is a follow-up to your July 14 response to MPA/USPS-T35-13, where you calculate the percentage increase in the incentive for twelve publications to co-palletize under your rate proposals. The January 12, 2006, issue of the Federal Register contains a USPS notice entitled “Sack Preparation Changes for Periodicals Mail.” The notice states in part:

SUMMARY: This final rule adopts new mailing standards for Periodicals mail prepared in sacks. The standards include two new types of sacks—a 3-digit carrier routes sack and a merged 3-digit sack—and a new minimum of 24 pieces for most other sacks.

DATES: *Effective Date:* May 11, 2006.

(a) Please confirm that you performed the analysis described in your response to MPA/USPS-T35-13 before May 11, 2006. If not confirmed, please explain fully.

(b) Please confirm that you based your analysis on mailings that were entered before implementation of the rule entitled “Sack Preparation Changes for Periodicals Mail.” If not confirmed, please explain fully.

(c) Please confirm, holding all else equal, that, under your proposal, the per-piece incentive to co-palletize publications in small sacks (measured in number of pieces) is larger than the per-piece incentive to co-palletize publications in large sacks (measured in number of pieces).

(d) Please confirm that the “Sack Preparation Changes for Periodicals Mail” will increase the average size (measured in number of pieces) of Periodicals sacks.

(e) For each of the publications you analyzed, please provide the average number of pieces per sack (if mailed as a solo mailing) based on the Postage Statement data used in your analysis. Please provide the information in the format specified in the table below.

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Percentage Increase in Incentive to Co-Palletize	Average Pieces Per Sack (Solo Mailing)
2	
5	
34	
35	
35	
39	
40	
40	
47	
48	
54	
56	

(f) Please provide your best estimate of the percentage increase in the incentive to co-palletize for each of the twelve publications, based on the assumption that each publication's sacks contain the same number of pieces as an average Test Year sack of Periodicals Outside County mail.

(g) Please provide your best estimate of the percentage increase in the incentive to co-palletize for each of the twelve publications using Postage Statement information for a mailing that was prepared according the recently-implemented "Sack Preparation Changes for Periodicals Mail" rule.

(h) Please provide sufficient information from PS Forms 3541 and 3541-X for each of the 12 publications analyzed to allow replication of the results provided in your response to MPA/USPS-T35-13. You may replace the name and other identifying information about the publisher and publication with code names or letters (e.g., "Publication A") to the extent necessary to conceal the identity of the mailer and publication.

(i) Please provide sufficient information from PS Forms 3541 and 3541-X for each of the 12 publications analyzed to allow replication of the results you provide in response to subparts (f) and (g) of this interrogatory. You may replace the name and other identifying information about the publisher and publication with code names or

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letters (e.g., "Publication A") to the extent necessary to conceal the identity of the mailer and publication.

(j) Please confirm that you have not calculated the percentage change in the "incentive to co-mail" under your proposal for any publications. If not confirmed, please explain and provide your calculations.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) Confirmed.
- (e) The average pieces per sack (before co-pal) have been listed in the table below.

I have revised the percentage increases in incentives to co-palletize. Please also see the revised response to MPA/USPS-T35-13.

Percentage Increase in Incentive to Co-Palletize	Average Pieces Per Sack (Solo Mailing)
51	12
53	14
53	14
55	14
63	14
65	14
67	14
67	15
89	13
93	13
116	13
129	13

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- (f) Under the assumption that all else is equal, if the average 41.64 piece per sack is used to replace the actual container counts in the pre-copal postage statement, the percentage increases of the incentives will be: 16, 15, 17, 19, 17, 20, 15, 22, 13, 14, 25, and 17, arranged in the order of publications corresponding to that in my response to part (e) and MPA/USPS-T-35-13 (a-b).
- (g) I have not completed estimates of the percentage increase in the incentive to co-palletize for the twelve publications, under the recently implemented "Sack Preparation Changes for Periodicals Mail" rule. I understand that mailer behavior may have changed under the recently implemented rule. In this instance, it is my understanding that some of these twelve publications have moved to co-mail or changed printers, which makes it almost impossible to obtain postage statements. Moreover, the characteristics such as editorial content and piece weight may vary among different issues of the same publication. Therefore, I do not believe this exercise would lead to meaningful comparisons. If anything, my response to MPA/USPS-T35-17(f) would be a reasonable estimate of the impact after the rule change.
- (h) See the spreadsheet "MPA 17H Attachment.xls"
- (i) See the spreadsheet "MPA 17I Attachment.xls," where the pre-copal number of containers was calculated based on the average 41.64 pieces per sack figure.
- (j) Confirmed. As I said in my revised response to MPA/USPS-T-35-13 (a-b), the impact on co-mailed publications is expected to be similar to that on the co-

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palletized ones, in terms of palletization and dropshipping. Of course, co-mailing offers advantages beyond palletization and dropshipping, such as finer presort. But I did not analyze any co-mailed publications.