

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

**SECOND SET OF INTERROGATORIES OF
THE ASSOCIATION FOR POSTAL COMMERCE
AND THE MAILING AND FULFILLMENT SERVICE ASSOCIATION
TO USPS WITNESS JAMES M. KIEFER**

(POSTCOM/USPS-T36-4 - 10)

Pursuant to Sections 25 through 27 of the rules of practice, the Association for Postal Commerce and the Mailing and Fulfillment Service Association (herein collectively "PostCom") directs the attached First Set of Interrogatories to Witness James M. Kiefer. If the witness is unable to respond to any interrogatory or request for production of documents, PostCom requests that a response be otherwise provided by the Postal Service.

Respectfully submitted,

Ian D. Volner
Rita L. Brickman
Jennifer Mallon
Venable LLP
575 7th Street, NW
Washington, DC 20004-1601
(202) 344-4814
idvolner@venable.com
Counsel to Association for Postal Commerce

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POSTCOM/USPS-T36-4. At page 4 of your testimony, you state that the “rate design and classification” changes you are proposing for the Standard Mail subclasses are designed to “better align with mail processing categories.” In footnote 1 on that page, you state that the “hybrids” or “not flat-machinable pieces” are “not commonly processed” on flat sorting machines.

a. Please provide the data upon which you relied in reaching the conclusion that NFM’s “are not commonly processed” on flat sorting machines.

b. If there are no such data, please list and explain all assumptions that you made with respect to the manner in which NFMs will be processed TYBR and TYAR.

POSTCOM/USPS-T36-5. Please:

a. Provide the data (TYAR) upon which you relied to determine the percentage of NFMs that are pound-rated and the average weight of pound-rated hybrid pieces.

b. If there are no such data, please list and explain all assumptions that you made to estimate the percentage of hybrid pieces that will be pound-rated and the average weight of such pound-rated pieces.

POSTCOM/USPS-T36-6. Please:

a. Provide the data upon which you relied to estimate the average density of NFMs.

b. If there are no such data, please list and explain all assumptions you made with respect to the density of such pieces in your development of the rates and rate design for this new category.

POSTCOM/USPS-T36-7. Please refer to page 11, footnote 3, of your testimony, at which you state that “some pieces are expected to migrate” and that “many mailers will reconfigure their non-eligible pieces to meet the new flats definition and to thereby avoid being pushed into the hybrids flat or parcel categories.

a. Please confirm that the expected migration is from “hybrid flats” to flats. If you do not confirm, please explain in detail your answer.

b. What is the empirical basis for these statements? If there are no empirical data, what assumptions did you make with respect to migration and reconfiguration in development of your rates for the flats and hybrid category?

c. In that same footnote, you state that the “rate differentials are designed, in part, to encourage such reconfiguration.” Please confirm that the differentials you are referring to relate to the differentials between the NFM category and the flat category. If you do not confirm, please explain in detail your answer.

POSTCOM/USPS-T36-8. Please refer to page 22 of your testimony in which you state that “many [NFM] pieces are counted as parcels for cost allocation purposes, but are counted as flats for volume purposes.”

a. Please confirm that there is no Cost and Revenue Analysis (“CRA”) specific to Standard Mail hybrid pieces available. If not confirmed, please explain the basis for your answer.

b. At page 22 of your testimony, you also state that the “mismatch” leads to “difficulties” in getting an accurate estimate of the unit cost of Standard Mail parcels. Do you agree that the “mismatch” also leads to “difficulties” in getting an accurate estimate of the unit revenues of Standard Mail parcels? If you do not agree, please explain your answer in detail.

POSTCOM/USPS-T36-9. Please refer to WP-STDREG-26 where it shows the proposed passthroughs by presort level for Standard Mail parcels and hybrids.

a. Please explain why you consider passthroughs at these levels to be “appropriate de-averaging by presort level” for hybrid flats and Standard parcels as set forth in page 12 of your testimony.

b. Please identify any studies or research data upon which you relied in reaching the conclusion that the presort levels you have proposed for NFMs and parcels are sufficient to enable mailers to “offset some of the rate increasing impacts of the realignment” as you state at page 12.

POSTCOM/USPS-T36-10. At page 17 of your testimony, you state that the disaggregated rate design for Standard Mail parcels, among other things, permits “expanded drop ship discounts.”

a. Please provide any estimates (TYAR) that you have made as to the volume of Standard Mail parcels that can, under current mail preparation rules, qualify for a DSCF or a DDU discount.

b. If you do not have such estimates, please set forth the basis for your conclusion that the drop ship structure and the level of avoided costs passthroughs you have proposed results in “expanded” worksharing options available to Standard mailers.