

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

INSTITUTIONAL RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION  
REDIRECTED FROM WITNESS TAUFIQUE (MMA/USPS-T32-7(B))

The United States Postal Service hereby files an institutional response to the following interrogatory filed by Major Mailers Association on June 28, 2006: MMA/USPS-T32-1-7(B). The interrogatory has been redirected from witness Taufique to the Postal Service for response. The interrogatory is stated verbatim and is followed by the institutional response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 24, 2005

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**MMA/USPS-T32-7**

On page 16 of your direct testimony, you state the following with respect to pricing First-Class workshared mail compared to First-Class single piece:

The goal of similar unit contributions from these two mail categories is not an absolute one; other rate design and rate impact considerations may require the Postal Service and the Commission to deviate from this goal. However, to the extent practicable, the Postal Service's intention going forward is to equalize the unit contribution from the Single-Piece Letter category and from the Presort Letter category.

- A. Please confirm that under the rates you propose, the TYAR unit contributions to institutional costs from First-Class single piece and presort letter mail are \$.2348 and \$.2343, respectively. If you cannot confirm, please provide the correct unit contributions to institutional costs for First-Class single piece and presort letter mail.
- B. Please confirm that, using the Commission's attributable cost methodology, if the rates you propose are adopted the TYAR unit contributions to institutional costs from First-Class single piece and presort letter mail are estimated to be \$.2104 and \$.2294, respectively, a difference of 1.9 cents. If you cannot confirm, please provide the correct unit contributions to institutional costs for First-Class single piece and workshared mail using the Commission's attributable cost methodology.
- C. Do you agree that, using the Commission's attributable cost methodology, the specific rates you propose do not satisfy your stated objective of equal unit contributions to institutional costs for First-Class single piece and presort letters? If no, please explain your answer.
- D. Please confirm that, under the Commission's rate recommendations in R2000-1, R2001-1, and R2005-1, First-Class presort letters have on average contributed 1.7 cents, 1.9 cents, and 1.9 cents, respectively, more to institutional costs than First Class single piece letters. Derivation of these unit cost contribution differences is shown on the following table. If you cannot confirm, please provide the correct unit cost contributions and demonstrate how they are derived.

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Docket No.	R2005-1	R2001-1	R2000-1
First-Class Single Piece			
Revenues (000)	20,506,695	21,865,222	22,576,889
Attributable Costs (000)	12,056,748	13,691,814	14,684,352
Contribution (000)	8,449,947	8,173,408	7,892,537
Volume (000)	42,459,296	46,841,145	52,828,895
Unit Contribution (\$)	0.199	0.174	0.149
First-Class Presorted			
Revenues (000)	15,382,831	15,915,988	13,172,716
Attributable Costs (000)	4,929,340	5,985,539	5,305,138
Contribution (000)	10,453,491	9,930,449	7,867,578
Volume (000)	47,962,523	51,353,440	47,320,291
Unit Contribution (\$)	0.218	0.193	0.166
Presort - S.P. Unit Contrib (\$)	<b>0.019</b>	<b>0.019</b>	<b>0.017</b>

**RESPONSE**

- A. [Response provided by witness Taufique.]
- B. The revised numbers based on the changes in assumptions discussed witness Taufique's response to MMA/USPS-T32-7A, and also the revised rollforward unit contribution for single-piece and presort mail are:  
  
Single-Piece: \$ 0.2063      Presort: \$ 0.2245
- C. [Response provided by witness Taufique.]
- D. [Response provide by witness Taufique.]