

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

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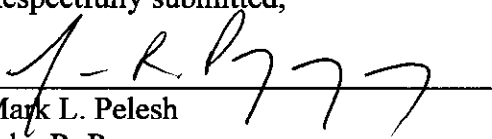
POSTAL RATE AND FEE CHANGES, 2000)

Docket No. R2000-1

**FIRST SET OF INTERROGATORIES OF
ASSOCIATION OF AMERICAN PUBLISHERS
TO USPS WITNESS KEIFER (AAP/USPS-T37-1-14)**

Pursuant to Section 25 and 26 of the Commission's Rules of Practice and Procedure, the Association of American Publishers (AAP), hereby submits the following interrogatories and request for production of documents to USPS witness Keifer (USPS-T-37). AAP incorporates by reference the instructions in OCA interrogatories OCA/USPS-1-14 (filed January 24, 2000). If the designated witness is unable to respond to any interrogatory, we request a response by some other qualified witness.

Respectfully submitted,

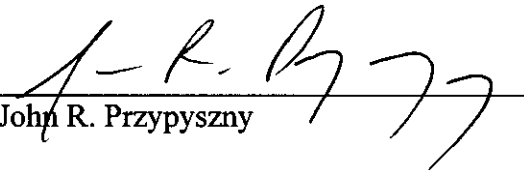


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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document, by First-Class Mail, upon the participants in this proceeding.



John R. Przypyszny

Date: February 29, 2000

**INTERROGATORIES OF ASSOCIATION OF AMERICAN PUBLISHERS
TO UNITED STATES POSTAL SERVICE WITNESS KIEFER**

AAP/USPS-T37-1 Please provide all underlying data used to prepare Figure 5 that appears at on page 29 of your testimony.

AAP/USPS-T37-2 Please provide all underlying data used to prepare Figure 6 that appears at page 30 of your testimony.

AAP/USPS-T37-3 On page 30 (lines 9-12) of your testimony, you describe the migration of books from the Special Standard subclass as continuing “well into the 1990s, after this migration was believed to be complete.” Please identify and provide all studies, reports, data or other evidence that you relied upon to conclude that this migration was “believed to be complete” by sometime in the 1990s.

AAP/USPS-T37-4 On page 33 (lines 3-4) of your testimony, you state that “the Postal Service proposes that the Commission recommend elimination of a separate Local zone rate for Bound Printed Matter.” With respect to this statement, please identify and provide all studies or reports that pertain to the recommended elimination of the Local zone rate for BPM.

AAP/USPS-T37-5 With respect to the portion of your testimony pertaining to the elimination of Local zone BPM rates as described on page 33 of your testimony, please describe any alternatives to the elimination of the Local zone rates that were considered prior to the filing of this case. Please identify and provide all studies, reports, data or other evidence that describe any of these alternatives.

AAP/USPS-T37-6 On page 33 (lines 9-10) of your testimony, you describe the costs for processing and transportation of BPM entered as Local mail that “were not incorporated into the Local rate.” With respect to this statement, please identify and provide all studies, reports, data or other evidence relied upon to conclude that any of these processing and transportation costs for BPM entered as Local mail have not already been captured in the current Local zone rate for BPM.

AAP/USPS-T37-7 At footnote 13 of page 33 of your testimony, you state that “[w]ith elimination of the Local zone, all mail formerly paying the Local rate would fall into the Zones 1&2 rate category, unless prepared and entered as DDU mail.” With respect to this statement:

(a) Has the Postal Service estimated the number of pieces of BPM in the test year that formerly paid the Local rate but will now pay the Zone 1&2 rate because they cannot achieve the preparation requirements necessary for any Destination Delivery Unit (“DDU”) discounts?

(b) If the answer is yes to subpart (a) of this interrogatory is yes, please provide this estimate, explain how the piece volume estimate was derived and identify all studies, reports, data or other evidence upon which such estimate was based.

AAP/USPS-T37-8 On page 33 (lines 12-15) of your testimony, you state that “[b]y restricting the availability of these discounts to DDU-entered mail, the Postal Service will ensure that the rates paid by mail claiming the discounts will more closely reflect the costs to process and deliver it.” Please describe fully how the discounts can be restricted to DDU-entered mail.

AAP/USPS-T37-9 At footnote 14 on page 34 of your testimony, you state that “[t]o make drop-shipped BPM consistent with drop-shipped Parcel Post, the Postal Service also proposes that mailers using these rates pay an annual \$100 destination entry permit fee.” With respect to this statement:

(a) Please explain why drop-shipped BPM must be “consistent” with drop-shipped Parcel Post.

(b) Please explain the purpose and basis for assessing the \$100 destination entry permit fee.

AAP/USPS-T37-10 On page 38 of your testimony is a chart (Table 15) which compares preliminary and current BPM rate elements. With respect to Table 15:

(a) Do the “current rates” for BPM shown on Table 15 on page 38 of your testimony correspond to the current per piece and per pound rates shown on WP-BPM-13? If your answer is no, please identify and explain the discrepancies between the two documents.

(b) WP-BPM-13 shows per-piece and per-pound rates for BPM pieces in the local zone that do not appear on Table 15. For example, WP-BPM-13 shows a per piece rate of \$0.54 and a per pound rate of \$0.028 for presort BPM in the Local zone. Did you calculate any estimate of the percent change that would have been produced if you had included in Table 15 a comparison of preliminary rates to the current rates for BPM in the Local zone? If your answer is yes, please provide the estimate of the rate change and identify and provide all studies, reports, data or other evidence upon which such estimate was based. If your answer is no, please explain why no such estimate was calculated or considered in preparing your testimony.

AAP/USPS-T37-11 On page 37 (lines 24-26) of your testimony, you explain that certain of the rate increases shown on Table 15 “would produce a severe rate shock if the preliminary charges were implemented without adjustment.” On page 38 of your testimony you also state that mitigating rate shock is but one of several “policy reasons” for adjustment of the preliminary rate elements set forth in Table 15. With respect to this statement:

(a) Are severe rate shocks such as those shown in Table 15 avoided as a matter of postal rate-making policy? If yes, please explain why.

(b) Please explain why the rates as proposed for BPM as shown in Table 16 do not result in or constitute rate shock.

AAP/USPS-T37-12 On page 39 (lines 3-5) of your testimony, in developing drop-ship discounts for BPM, you explain “[p]rudence argues for a conservative implementation of these discounts, passing through only a portion of the estimated cost savings in this rate proceeding, in case the proxy cost savings turn out to be overly optimistic.” With respect to this statement, please provide for each rate element of BPM listed on Table 16 or your testimony: (a) the per piece and per pound cost savings estimated by the USPS and (b) the percentage of those cost savings that have been passed through in the proposed BPM rates in this case. Please identify and provide all studies, reports, data or other evidence upon which your answer is based.

AAP/USPS-T37-13 On page 39 (lines 7-9) of your testimony, you state that “the per-piece cost savings estimated by Witness Crum for DBMC Bound Printed Matter are based on the assumption that BMC mail processing costs are nearly 100% volume variable.” On page 39 of your testimony (lines 9-11), you also state that “[w]hile the Postal Service is using this assumption for calculating attributable costs in this docket, it is uncertain that mail drop-shipped to BMCs will avoid all of these costs....” In view of the latter statement, please explain the assumption that BMC mail processing costs for BPM are nearly 100% variable.

AAP/USPS-T37-14 The workpapers which support your testimony, particularly at WP-BPM-22 to WP-BPM-26, estimate in percentage terms the proposed changes for BPM that the USPS is recommending in this case. These workpapers omit any reference to proposed changes for the BPM mail that currently is charged at the Local zone rate. Please provide any workpapers or any other studies, reports, data or other evidence that describe or show percentage increases for mail currently charged at the Local zone rate.