

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R2001-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 3  
(Issued October 18, 2001)

United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request. In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 14 days.

1. The Revenue Forgone Reform Act provides for Science of Agriculture publications to pay advertising pound rates equal to 75% of the corresponding rates paid by regular-rate publications in certain zones. Proposed rates for Science of Agriculture editorial matter are 75% of those for regular rate. Please provide a discussion of the reasoning behind the proposed reduction of the editorial rate for Science of Agriculture publications relative to that of regular rate.
2. In USPS-LR-J-107, the Pound Data\_Adv worksheet in the file OC01.xls contains an average haul of 63 miles (cell e25, formula  $50 * 189/150$ ). Please provide the source of the 50-mile figure used in this calculation. The zones 1& 2 average haul is 189 miles. Please describe the analysis done to conclude that the average haul for periodicals remaining in zones

1 and 2 after removing the destination ADC periodicals should not be altered.

3. The development of the pound rates for Outside Periodicals in the past has reflected, among other things, (1) a policy decision that the flat pound rate for editorial matter should be 75 percent of the zones 1 and 2 pound rate for advertising matter; and (2) a rate design procedure that allocates all distance-related transportation costs on all pounds in such a way that the differences in the zone rates for advertising are best-estimates of the differences in the zone transportation costs. Recently, this has been modified slightly to include non-transportation costs in the differences in rates going from zones 1 and 2 down to the DDU level. In this case, as explained by witness Taufique (USPS-T-34), this procedure has been replaced by a procedure that (a) controls the proportion of the pound revenue that is from advertising to be equal to the proportion that occurred in the base year, and (b) develops the zone differences on a rate design procedure that allocates 50 percent (in this case) of the distance-related transportation costs on just advertising pounds in such a way that the differences in the zone rates for advertising do *not* bear a well-defined relation to the differences in the zone transportation costs. Witness Taufique's explanation for this change is, basically, that it is needed to accommodate proposed structural changes without being unfair to the rates for editorial matter. In order that the record be complete on the justification and the need for these changes in procedure, please:
  - a) Discuss the implications of a procedure that ties the proportion of the pound revenue from advertising rates to the proportion actually obtained in the base year.
  - b) Discuss the bases for selecting the 50-percent figure.
  - c) Provide an explanation of the meaning of the differences in the zone rates in the new procedure.

- d) Supply a set of rates implied by using the old procedure.
  - e) Explain whether any other avenues to accommodate the proposed structural changes were considered.
4. Witness Meehan's Workpaper B spreadsheets include the outputs to the CRA for each cost segment and component which are reflected in the manual input of witness Meehan's Workpaper A. The structure of the outputs to the CRA and the manual input to the CRA does not include costs associated with any of the former non-profit subclasses such as Periodicals Non-Profit or Standard Non-Profit ECR. However, it appears that the costs associated to the non-profit subclasses are included in section of the spreadsheets labeled "*oldoutputs*". Please confirm that if the CRA structure was the same as in Docket No. R2000-1 the costs input into the CRA would have come from the spreadsheet sections labeled "*oldoutputs*" in the Workpaper B spreadsheets.

If confirmed please provide the PESSA, custodial maintenance and equipment, and rollforward distribution keys that are included in the manual inputs into the CRA in the same format as indicated in the "*oldoutputs*" sections mentioned above.

  
George A. Omas  
Presiding Officer