

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

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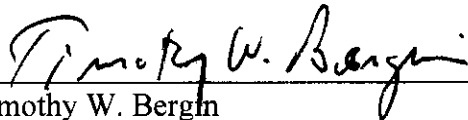
POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

**INTERROGATORIES AND DOCUMENT REQUESTS OF
AMERICAN BUSINESS MEDIA AND THE McGRAW-HILL
COMPANIES DIRECTED TO UNITED STATES POSTAL
SERVICE WITNESS ALTAF H. TAUFIQUE
(ABM-MH/USPS-T34-1-46)**

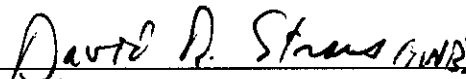
Pursuant to the Commission's Rules of Practice, American Business Media and The McGraw-Hill Companies, Inc. hereby direct the attached interrogatories and document requests to United States Postal Service witness Taufique (ABM-MH/USPS-T34-1-46). If any request should be answered by a different witness, it should be referred to that witness.

Respectfully submitted,



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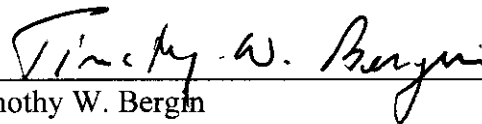


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CERTIFICATE OF SERVICE

I hereby certify that I have this date served this document in accordance with Section 12 of the Commission's Rules of Practice.



Timothy W. Bergin

Dated: December 5, 2001

ABM-MH/USPS-T34-1

When was the last time that the editorial pound rate for Periodicals differed depending upon where the publication is entered into the mail and where it is ultimately to be delivered by the Postal Service?

ABM-MH/USPS-T34-2

In the Commission's Opinion in Docket No. R90-1 that is cited at lines 15-17 of page 5 of USPS-T-34, the Commission stated at page V-122: "To diminish the encouragement of widespread dissemination of editorial matter throughout this nation by zoning the editorial rates strikes at the balance of the treatment between editorial and advertising matter in second class rate designs. We find nothing on this record to persuade us that we should abandon that balance in regular rate second class." Please list and explain all reasons why abandonment of that balance is now appropriate.

ABM-MH/USPS-T34-3

Please explain fully why, in the view of Mr. Taufique, the Postal Service should take account of "social policy objectives" in setting rates as suggested at page 5 of USPS-T-34, lines 15-17.

ABM-MH/USPS-T34-4

Please explain fully what is meant by the "concerns" for "dissemination of information" that allegedly are addressed by Mr. Taufique's proposal as stated at lines 18-19 of page 5 of USPS-T-34.

ABM-MH/USPS-T34-5

Please explain fully how the "concerns" for "dissemination of information" that are referenced at lines 18-19 of page 5 of USPS-T-34 are specifically addressed in the USPS's proposal for separate editorial drop ship pound rates in this case.

ABM-MH/USPS-T34-6

At lines 1-2 of page 6 of USPS-T-34, Mr. Taufique cites to the history of cost increases in Periodicals and states that: "The Postal Service, and the mailers have provided various explanations for these increases." Please state and explain fully each of the various explanations for recent cost increases in Periodicals that has been provided by the Postal Service in the past three years. For each, state how the proposal to create drop ship discounts for editorial pounds will help to reduce those costs.

ABM-MH/USPS-T34-7

At lines 2-5 of page 6 of USPS-T-34, Mr. Taufique cites to the Commission's Opinion in Docket No. R2000-1, specifically at pages V-407-412. At page V-412, the Commission stated

that: “Further they [Postal Service witnesses O’Tormey and Unger] acknowledge that increases in mailer worksharing – such as presorting, barcoding and dropshipping – plus widespread use of pallets – should have had a downward influence on costs.” (Emphasis added). Does Mr. Taufique agree that, at least up through the period addressed in Docket No. R-2000-1, these particular worksharing activities did not achieve the expected amount of downward influence on the “sharply increasing mail processing costs” in Periodicals that were also noted by the Commission at page V-407? Please explain fully any answer other than yes.

ABM-MH/USPS-T34-8

At lines 6-8 of page 6 of USPS-T-34, Mr. Taufique states: “From a rate design perspective, I believe that the proposed increased incentive for dropshipment combined with a per-piece pallet discount (to be discussed later), would help mitigate further cost increases.” With respect to this statement, is it Mr. Taufique’s testimony that the proposed editorial drop ship pound rate, without consideration of the per-piece pallet discount, will provide an “increased” incentive to drop ship Periodicals? If so, please provide all studies or other evidence relied on by Mr. Taufique that quantify the extent to which drop shipping in Periodicals is expected to increase as a result of this proposal.

ABM-MH/USPS-T34-9

At lines 6-8 of page 6 of USPS-T-34, Mr. Taufique states: “From a rate design perspective, I believe that the proposed increased incentive for dropshipment combined with a per-piece pallet discount (to be discussed later), would help mitigate further cost increases.” With respect to this statement, is it Mr. Taufique’s testimony that the proposed editorial drop ship pound rate, in combination with the per-piece pallet discount, will provide an “increased” incentive to drop ship Periodicals? If so, please provide all studies or other evidence relied on by Mr. Taufique that quantify the extent to which drop shipping in Periodicals is expected to increase as a result of this proposal in combination with the per-piece pallet discount.

ABM-MH/USPS-T34-10

At lines 12-13 of page 6 of USPS-T-34, Mr. Taufique states: “Second, as mailers prepare the mail for downstream entry, preparation is likely to improve.” With respect to this statement, please provide:

- (a) a full explanation of the basis for this statement; and
- (b) any studies or data of any kind that quantifies the extent to which preparation of Periodicals is likely to improve as a result of the USPS’s proposed editorial drop ship pound rate.

ABM-MH/USPS-T34-11

At lines 13-14 of page 6 of USPS-T-34, Mr. Taufique states: “A relatively high degree of palletization, and a finer degree of presort can be expected.” With respect to this statement, please provide:

(a) a full explanation of the basis for this statement; and

(b) any studies or data of any kind that quantifies the extent to which a higher degree of palletization and/or a finer degree of presort can be expected as a result of the USPS's proposed editorial drop ship pound rate.

ABM-MH/USPS-T34-12

Assume that there are Periodicals that cannot be drop shipped for economic or other reasons and do not have the density to use pallets. Assume also that they cannot as a practical matter be co-palletized. Will the proposal for a pallet discount and an editorial pound drop ship discount help mitigate postage rate increases for such periodicals? Will it exacerbate them?

ABM-MH/USPS-T34-13

If as a result of the proposals more Periodicals are drop shipped, how will that affect the unit attributable costs of those that are not? As part of your answer, please describe the effect on non-drop shipped Standard A attributable costs when drop ship discounts for Standard A mail were first introduced.

ABM-MH/USPS-T34-14

Did the Postal Service in formulating its rate filing estimate and examine the effect of the proposed rates on a range of different types of Periodicals or Periodicals with differing billing determinants? If not, why not. If so, what types of Periodicals experienced the highest percentage and absolute increases, and how large were those increases?

ABM-MH/USPS-T34-15

At lines 14-17 of page 6 of USPS-T34, Mr. Taufique states: "Larger destination entry discounts would provide further incentive for smaller and medium mailers to combine their mailings or versions to achieve the volumes necessary to justify the transportation for deeper downstream entry." With respect to this statement, please provide:

(a) a full explanation of the basis for this statement; and

(b) details of any examples of such combinations that currently occur among separate Periodicals mailers.

ABM-MH/USPS-T34-16

At lines 14-17 of page 6 of USPS-T34, Mr. Taufique states: "Larger destination entry discounts would provide further incentive for smaller and medium mailers to combine their mailings or versions to achieve the volumes necessary to justify the transportation for deeper downstream entry." With respect to this statement, please provide all studies or data of any kind that quantify

the extent to which small and medium mailers can or would combine their mailings in order to achieve deeper downstream entry in response to the USPS's rate proposals in this case.

ABM-MH/USPS-T34-17

At lines 14-17 of page 6 of USPS-T34, Mr. Taufique states, "Larger destination entry discounts would provide further incentive for smaller and medium mailers to combine their mailings or versions to achieve the volumes necessary to justify the transportation for deeper downstream entry." With respect to this statement, please explain specifically how, in Mr. Taufique's opinion, the mailings by individual small and medium mailers would have to be combined and prepared in order to justify the transportation for deeper downstream entry. Provide examples if possible.

ABM-MH/USPS-T34-18

At lines 17-18 of page 6 of USPS-T34, Mr. Taufique states: "Even mailers who may not be able to dropship their mail would nonetheless benefit from the cost savings for all Periodicals." With respect to this statement, please:

- (a) provide a full explanation for the basis for this statement; and
- (b) confirm that Periodicals mailers who may not be able to dropship would face an immediate increase of 13.41% (\$0.179 per pound to \$0.203 per pound) in their editorial pound rates which is greater than the editorial pound rate increase if a flat rate were retained.

ABM-MH/USPS-T34-19

At page 7 of Mr. Taufique's testimony, he states that advertising pounds make up 44% of the total Periodicals weight but that he is allocating 50% of the transportation costs to advertising pounds. In response to POIR No. 5, question 3, Mr. Taufique states: "Distributing approximately 44 percent of the transportation cost to the calculation of advertising pound rates is more appropriate than the 50% allocation in the Postal Service's proposal."

- (a) Does this statement represent a concession that the filing has been done incorrectly and should be modified to reflect a 50% allocation? If not, what does it represent?
- (b) Please provide the rates that would result from substituting a 44% allocation for the 50% allocation.

ABM-MH/USPS-T34-20

At lines 11-13 of page 7 of USPS-T34, Mr. Taufique states that: "Second, the allocation of transportation cost to advertising pounds is designed to mitigate the impact of the larger dropship discounts on advertising pounds entered in higher zones." With respect to this statement, please state the advantages and disadvantages of the 50% allocation of transportation costs to

advertising pounds as compared with alternative allocations based on the advertising revenue percentage and on the advertising weight percentage.

ABM-MH/USPS-T34-21

At lines 21-23, of page 7 of USPS-T34, Mr. Taufique states: "Finally, the impact on the flat editorial pound rate (editorial pound rate applicable to zones 1&2 through zone 8) has been mitigated by using a 50 percent passthrough for the rate differentials derived for advertising pound rates." With respect to this statement, please state whether the USPS considered other passthrough percentages for the editorial pound rate differential and if so, state what those passthrough percentages were and explain why the USPS rejected them in arriving at its proposal in this case.

ABM-MH/USPS-T34-22

At lines 23-25 of page 7 of USPS-T34, Mr. Taufique states: "In other words, only half of the transportation and non-transportation cost avoidances derived for advertising pounds are applied to the calculation of editorial pound dropship rates." With respect to this statement, please provide workpapers with supporting references that demonstrate that 50 percent of the transportation and non-transportation cost avoidances derived for advertising pounds are applied to the calculation of editorial pound dropship rates.

ABM-MH/USPS-T34-23

At lines 23-25 of page 7 of USPS-T34, Mr. Taufique states: "In other words, only half of the transportation and non-transportation cost avoidances derived for advertising pounds are applied to the calculation of editorial pound dropship rates." With respect to this statement, please state whether 100% of the transportation and non-transportation cost avoidances that were derived for advertising pounds were applied to the Postal Service's calculation of advertising pound drop ship and zone rates in this case. Include workpapers with supporting references that demonstrate the exact percent of transportation and non-transportation cost avoidances that are applied to the advertising pound rates that are proposed in this case.

ABM-MH/USPS-T34-24

On page 8 of USPS-T-34, at lines 3-5, Mr. Taufique states: "The Postal Service believes that this additional incentive may help both large and small mailers and has the potential to move significant volume of mail to destinating facilities." With respect to this statement, please confirm that any Periodical mailer whose mailings include advertising that currently faces zoned advertising pound rates already has an incentive to move volumes of mail to destinating facilities. Please explain any answer other than a confirmation.

ABM-MH/USPS-T34-25

On page 8 of USPS-T-34, at lines 3-5, Mr. Taufique states: "The Postal Service believes that this additional incentive may help both large and small mailers and has the potential to move

significant volume of mail to destinating facilities.” With respect to the this statement, please confirm that any Periodical mailer seeking to improve on the delivery times that are actually achieved by the Postal Service already has an incentive to move volumes of mail to destinating facilities. Please explain any answer other than a confirmation.

ABM-MH/USPS-T34-26

On page 8 of USPS-T-34, at lines 3-5, Mr. Taufique states: “The Postal Service believes that this additional incentive may help both large and small mailers and has the potential to move significant volume of mail to destinating facilities.” With respect to this statement, please provide all supporting studies or other data of any kind that quantify this “potential” to move “significant” volumes of mail. If the Postal Service has no supporting studies or other data that quantify this alleged potential to move “significant” volumes of mail, please so state.

ABM-MH/USPS-T34-27

On page 8 of USPS-T34, at lines 6-8, Mr. Taufique states: that “The destinating ADC dropshipment rate is being proposed by the Postal Service to provide a dropship alternative for mailers that may not have enough volume for a destinating SCF or DU, but may have enough volume for a destinating ADC.” Please provide any studies, estimates or data of any kind that quantify the level of mail volume that may be “enough” to achieve destinating ADC, SCF or DU dropshipment. If the Postal Service has no supporting studies, estimates or other data that quantify any of these volumes, please so state.

ABM-MH/USPS-T34-28

On page 8 of USPS-T34, at lines 9-12, Mr. Taufique states that the “issue of timely delivery of Periodicals” has not been brought to “closure.” Please explain fully the nature of the “issue” referenced by Mr. Taufique.

ABM-MH/USPS-T34-29

On page 8 of USPS-T34, at lines 9-12, Mr. Taufique states that the “issue of timely delivery of Periodicals” has not been brought to “closure.” Please provide all studies, estimates or data of any kind relied on by Mr. Taufique that quantify the USPS’s delivery performance for Periodicals in the last three years. If the Postal Service has no supporting studies, estimates or other data that quantifies its delivery performance in Periodicals over the last three years, please so state.

ABM-MH/USPS-T34-30

At lines 21-23 of page 8 of USPS-T34, Mr. Taufique asserts that the Postal Service “proposes only modest deaveraging, mitigating the impact on the unzoned editorial pound rate and the higher zone advertising pound rates.” With respect to this statement, please provide all alternative Periodicals rate structures that were considered by Mr. Taufique or by the USPS in

this case. Please state why each alternative was rejected in favor of the Postal Service's actual proposal.

ABM-MH/USPS-T34-31

At lines 23-24 of page 8 of USPS-T34, Mr. Taufique states: "Also the Postal Service proposal provides time for mailers to take a fresh look at comailing and commingling." With respect to this statement, please explain fully how the USPS proposal "provides time for mailers" to take a fresh look at comailing and commingling.

ABM-MH/USPS-T34-32

At lines 23-24 of page 8 of USPS-T34, Mr. Taufique states: "Also the Postal Service proposal provides time for mailers to take a fresh look at comailing and commingling." With respect to this statement, please define the terms "comailing" and "commingling" and provide examples of each.

ABM-MH/USPS-T34-33

At line 5 of page 9 of USPS-T34, Mr. Taufique states that he has made use of "average haul" figures in determining pound rates for Periodicals in this case. With respect to these figures, please provide underlying documents that support the derivation of these average haul figures and explain the period over which these average haul data were measured.

ABM-MH/USPS-T34-34

At line 6 of page 9 of USPS-T34, Mr. Taufique states that he has used "the calculation of pound miles to allocate distance-related transportation cost." With respect to this statement, please define "distance-related transportation costs," and explain how the transportation cost totals that are alleged to be distance-related in this case can be validated or verified.

ABM-MH/USPS-T34-35

At lines 6-7 of page 9 of USPS-T34, Mr. Taufique states that: "the allocation of residual revenue requirement on a per pound basis" is based on traditional ratemaking practices established in previous cases. Please define "revenue requirement" as used in that statement, and explain the basis for your definition (including, without limitation, any legal basis).

ABM-MH/USPS-T34-36

At lines 6-7 of page 9 of USPS-T34, Mr. Taufique states that: "the allocation of residual revenue requirement on a per pound basis" is based on traditional ratemaking practices established in previous cases. With respect to this statement, please confirm that the Postal Service has no data or cost analyses of any kind that support its current proposal to allocate the residual revenue "requirement" for Periodicals on a per pound basis. If such data does exist, please provide it.

ABM-MH/USPS-T34-37

At lines 20-21 of page 9 of USPS-T34, Mr. Taufique states, "The Postal Service is proposing a per-piece pallet discount for flat-shaped mail, regardless of the pallet presort level." With respect to this statement, please state why this discount is offered on a per-piece basis rather than a per-pound basis, on a combined piece and pound basis.

ABM-MH/USPS-T34-38

At lines 20-21 of page 9 of USPS-T34, Mr. Taufique states, "The Postal Service is proposing a per-piece pallet discount for flat-shaped mail, regardless of the pallet presort level." With respect to this proposal, please state the minimum weight requirements per pallet that will apply, and whether alternative minimum weight requirements were ever considered by the USPS for this proposal. If so, please state what those alternatives were and why they were rejected.

ABM-MH/USPS-T34-39

With respect to the per-piece pallet discount proposal that is discussed at page 9-10 of USPS-T-34, please provide all data or studies of any kind that quantify the amount and/or type of mail (in terms of its current makeup and sortation level or otherwise) that is expected to shift from sacks (or other containers) to pallets in response to the per piece pallet discount.

ABM-MH/USPS-T34-40

With respect to the per-piece pallet discount proposal that is discussed at page 9-10 of USPS-T-34, please provide all data or studies of any kind that quantify the extent to which differences in delivery times (as between mail entered on sacks and mail entered on pallets) will affect the manner and the extent to which mailers will take advantage of the proposed pallet discount.

ABM-MH/USPS-T34-41

At lines 24 of page 11 and lines 1-2 of page 12 of USPS-T34, Mr. Taufique states: "the partial zoning of editorial pounds should go a long way in sending correct signals for dropship decisions." Please explain fully what Mr. Taufique means by "correct signals" and why "correct signals" for dropship decisions are not now sent through zoned rates for advertising pounds in Periodicals.

ABM-MH/USPS-T34-42

In Mr. Taufique's response to CRPA-NFIP/USPS-T34-4(a), he states that: "One would expect that mailers would perform the additional work [required as part of worksharing] only if their cost was less than the discount provided by the Postal Service." (Emphasis added). With respect to this response, please confirm that it is Mr. Taufique's testimony that Periodicals mailers engage in worksharing efforts "only" if their costs are less than the discounts offered by the USPS. Please explain any answer other than a confirmation.

ABM-MH/USPS-T34-43

In Mr. Taufique's response to CRPA-NFIP/USPS-T34-5(e), he states: "For example, for Nonprofit publications in mailing size ranging from 0-1000, 35.5 percent of the mailers enter 50 percent of more of their mail at either the DDU, DSCF or Zones 1&2." With respect to this statement, please provide the Postal Service's best estimate of the percent of Periodicals pieces that are shipped by these non-profit mailers (or by any non-profit mailers whose mailing size is 1000 or less) on pallets.

ABM-MH/USPS-T35-44

With respect to USPS-LR-J-107, please confirm that the TYAR proportion of Periodicals revenue to be derived from piece rates can be correctly altered solely by changing the general design input that appears in row 15 of page 19 of 32 of the Outside County Worksheet Rate Design Input page. If other spreadsheet adjustments are required, please provide a detailed explanation and a revised Periodicals rate design spreadsheet that demonstrates how this proportion could correctly be altered.

ABM-MH/USPS-T35-45

With respect to USPS-LR-J-107, please confirm that the TYAR proportion of Transportation Cost that is Distance Related can be correctly altered solely by changing the general design input that appears in row 18 of page 19 of 32 of the Outside County Worksheet Rate Design Input page. If other spreadsheet adjustments are required, please provide a detailed explanation and a revised Periodicals rate design spreadsheet that demonstrates how this proportion could correctly be altered.

ABM-MH/USPS-T35-46

With respect to USPS-LR-J-107, please confirm that the TYAR passthroughs of unit cost savings for piece discounts in Periodicals can be correctly altered solely by changing the general design inputs that appear in rows 5 to 20 of page 25 of 32 of the Outside County Worksheet Rate Design Input page. If other spreadsheet adjustments are required, please provide a detailed explanation and a revised Periodicals rate design spreadsheet that demonstrates how these proportions could correctly be altered.