

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE  
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC.  
(MPA/USPS-T34-21-23(E-F), 30(B-C), 31(B), AND 34)

The United States Postal Service hereby provides the responses of witness Taufique to the following interrogatories of the Magazine Publishers of America, Inc.: MPA/USPS-T34-21-23(e-f), 30(b-c), 31(b), and 34, filed on November 26, 2001. Interrogatories MPA/USPS-T34-23(a-d) and 24 to 26 have been redirected to witness Loetscher. Interrogatory MPA/USPS-T34-27 has been redirected to witness Mayes, and interrogatory MPA/USPS-T34-28 has been redirected to witness Schenk. Interrogatories T34-29, 30(a), 31(a), 32, and 33 have been redirected to both witnesses Mayes and Schenk. Interrogatory T34-35 has been redirected to the Postal Service.

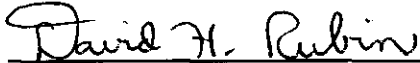
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
\_\_\_\_\_  
David H. Rubin

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December 12, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE  
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**MPA/USPS-T34-21.** Please refer to USPS-LR-I-107, OC01.xls, worksheet "Calc. of New Cells." Please confirm that your rate design assumes that 47 percent of Zones 1 and 2 pounds will be entered at the destination area distribution center (DADC) in the Test Year. If not confirmed, please explain fully.

**RESPONSE:**

Not confirmed. My numbers turn out to be a little different. Based on the worksheet referred in your question "Calc. of New Cells", the estimated sum of total Zones 1 & 2 pound is 826,782,072 (advertising is based on actual billing determinants and nonadvertising is estimated) while the estimate for DADC (based on 9 percent of total weight) is 399,315,141. The ratio is approximately 48.3 percent.

If test year data are used (from the Test Year BR worksheet), DADC advertising pounds would be 47.53 percent of the total Zones 1 & 2 advertising pounds.

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**MPA/USPS-T34-22.** Assume that a mailer enters an area distribution center (ADC) container at a destination ADC (DADC). Assume further that 80 percent of the mail in this container destinates in the area for which this ADC is also the destination sectional center facility (DSCF).

(a) Please confirm that the cost for the Postal Service to transport this 80 percent of the mail to the DSCF is zero and, therefore, the transportation cost for this mail is similar to that for DSCF mail. If not confirmed, please explain your response fully.

(b) Please confirm that all of the mail in the container described above will pay the DADC pound rate if the Postal Service-proposed rates go into effect. If not confirmed, please explain your response fully.

(c) All else being equal, please confirm that, for the reason discussed in subparts (a) and (b) of this interrogatory, among others, non-DADC Zones 1 and 2 periodicals have higher transportation costs than DADC Zones 1 and 2 periodicals. If not confirmed, please explain your response fully.

(d) All else being equal, please confirm that, for the reason discussed in subparts (a) and (b) of this interrogatory, non-DADC Zones 1 and 2 periodicals have higher transportation costs than Zones 1 and 2 periodicals as a whole. If not confirmed, please explain your response fully.

**RESPONSE:**

(a) Confirmed. Transportation cost would be zero, but ADC and SCF mail are worked in separate areas even if in the same facility, so there would be some nontransportation cost of transferring this mail to the SCF work area. In multi-level facilities where availability of elevators could cause a bottleneck, this mail could actually be trucked to a different level of the same facility.

(b) Not confirmed. This determination will be made as part of the implementation process.

(c) I am not able to confirm your statement. In the above case the transportation cost would be zero as my response to subpart (a) states, but it is possible that

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non-DADC Zones 1 & 2 mail could, in some cases, have lower transportation cost than DADC Zones 1 & 2.

(d) I am unable to confirm your statement, which is generally true, but may not be correct in all cases. Please see my response to subpart (c) above.

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**MPA/USPS-T34-23.** Please refer to witness Loetscher's response to MPA/USPS-T41-2, and worksheet "MPA2" in resp-mpa-usps-t41-2-6.xls, which was provided in response to MPA/USPS-T41-2. Please refer further to Table 1 below, which was produced based upon the data in worksheet "MPA 2."

Table 1. Percent of Nonprofit Publications (For Which Entry Point Data Are Available) That Entered Fifty Percent or More of Copies at the Destination Delivery Unit (DDU), Destination Sectional Center Facility (DSCF), or in Zones 1 and 2

Issue Size	Percent DDU, DSCF, or Zones 1 and 2
0-1,000	35.5 percent
1,000-2,000	36.7
2,000-5,000	35.0
5,000-10,000	29.4
10,000-25,000	34.0
25,000-50,000	30.4
50,000-75,000	31.0
75,000-100,000	29.3
100,000-200,000	33.3
200,000-500,000	46.7
500,000-1,000,000	14.3
1 Million+	23.1

(a) Please confirm that Table 1 accurately summarizes the nonprofit data in resp-mpa-usps-T41-2-6.xls, worksheet "MPA 2." If not confirmed, please provide the correct figures.

(b) Please confirm that "local" publications-those that are produced and distributed within the same geographic area - either currently qualify for destination entry rates or that-a large portion of such publications could qualify for destination entry rates without having to be hauled long distances. If not confirmed, please explain your response fully.

(c) Please confirm that a portion of small-circulation publications (defined as less than 50,000 pieces per issue) are "local" publications.

(d) Please confirm that the data shown in Table 1 above suggest that a larger portion of small-circulation nonprofit publications than of large-circulation nonprofit publications are "local" publications. Please explain your response fully.

(e) Please confirm that many small-circulation "local" publications would benefit from the editorial pound rates that you are proposing (as compared to a flat editorial pound rate). If not confirmed, please explain your response fully.

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(f) Please confirm that many small-circulation "local" nonprofit publications would benefit from the editorial pound rates you are proposing (as compared to a flat editorial pound rate). If not confirmed, please explain your response fully.

**RESPONSE:**

(a-d). Redirected to witness Loetscher (USPS-T-41).

e. Confirmed.

f. Confirmed, especially in light of the fact that Nonprofit publications on average have higher editorial content than other Outside County publications.

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**MPA/USPS-T34-30.** Please refer to MPA/USPS-T34-29, above. Assume that a 6-piece sack containing 3digit automation pieces is entered at an origin sectional center facility (OSCF) in Zone 4 and is crossdocked at the OSCF, the origin bulk mail center BMC), and the destination BMC and incurs unloading and moving costs at a destination facility. Further, please assume that each piece in the sack weighs 0.471 pounds and has an advertising percentage of 43.5.

(a) Please confirm that the Postal Service incurs a cost per piece of \$0.523 (sum of \$0.116, \$0.131, \$0.131, and \$0.145) for crossdocking, unloading, and moving this sack. If you do not confirm, please explain and provide the correct figure.

(b) Please confirm that, under your proposed Periodicals Outside-County rates, the postage that each of these pieces would pay is \$0.356. If you do not confirm, please provide the correct figure.

(c) Please confirm that the postage of \$0.356 is 68 percent of the cost per piece of \$0.523 for crossdocking and handling the sack. If you do not confirm, please provide the correct figure.

**RESPONSE:**

(a) Redirected to witnesses Mayes and Schenk (USPS-T-23 and USPS-T-43).

(b) Confirmed.

(c) Not confirmed. Witness Mayes confirmed the first three components of the costs that add up to \$0.523 in your question. Witness Schenk has provided an estimate of \$0.025 compared to your estimate for the fourth component of \$0.145. The postage of \$0.356 is 88 percent of the new total of \$0.403.

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**MPA/USPS-T34-31.** Please refer to MPA/USPS-T34-29, above. Assume that a 12-piece sack containing 3-digit automation pieces is entered at an origin sectional center facility (SCF) in Zone 4 and is crossdocked at the origin SCF, the origin bulk mail center (BMC), and the destination BMC and incurs unloading and moving costs at a destination facility. Further, please assume that each piece in the sack weighs 0.471 pounds and has an advertising percent of 43.5.

(a) Please confirm that the Postal Service incurs a cost per piece of \$0.261 (sum of \$0.058, \$0.065, \$0.065, and \$0.073) for crossdocking, unloading, and moving this sack. If you do not confirm, please explain and provide the correct figure.

(b) Please confirm that, under your proposed Periodicals Outside-County rates, the postage that each of these pieces would pay is \$0.356. If you do not confirm, please provide the correct figure.

**RESPONSE:**

(a) Redirected to witnesses Mayes and Schenk (USPS-T-23 and USPS-T-43).

(b) Confirmed.



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**MPA/USPS-T34-34.** Please refer to your response to Presiding Officers Information Request Number 3, which shows pound rates under the "Old Method." Assume that a Periodicals Outside-County piece weighs 0.471 pounds and has an advertising percent of 43.5.

(a) Please confirm that, under your proposed Zone 4 rates, the revenue per piece from the advertising pounds is \$0.065 and the revenue per piece from the nonadvertising pounds is \$ 0.054 and that their sum is \$0.119. If you do not confirm, please provide the correct figures.

(b) Please confirm that, under your proposed destination sectional center facility (DSCF) rates, the revenue per piece from the advertising pounds is \$ 0.042, the revenue per piece from the nonadvertising pounds is \$ 0.048, the worksharing DSCF entry revenue per piece is -\$0.008 and that their sum is \$0.082. If you do not confirm, please provide the correct figures.

(c) Please confirm that, under your proposed rates, the difference in postage between entering this piece in Zone 4 and entering it at the DSCF is \$0.037 (\$0.119 less \$0.082). If you do not confirm, please provide the correct figures.

(d) All else being equal, please confirm that, using the transportation and nontransportation cost avoidances underlying the "Old Method" pound rates and the DSCF piece discount, it costs the Postal Service \$0.055 more for this piece if entered in Zone 4 than if entered at the DSCF. If you do not confirm, please explain and provide the correct figure.

(e) Please confirm that, even using the "Old Method" cost avoidance estimates, the effective passthrough of the dropship-related cost difference between Zone 4 and DSCF for this piece is \$0.037/\$0.055 or 67.6 percent. If you do not confirm, please provide the correct figure.

**RESPONSE:**

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed.

(e) Confirmed.

## DECLARATION

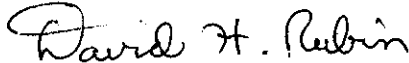
I, Altaf H. Taufique, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
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Dated: DECEMBER 12, 2001

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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David H. Rubin

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
December 12, 2001