

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 AMERICAN BUSINESS MEDIA AND THE  
MCGRAW-HILL COMPANIES (ABM-MH/USPS-T34-50-56)

The United States Postal Service hereby provides the responses of witness Taufique to the following interrogatories of American Business Media and the McGraw-Hill Companies: ABM-MH/USPS-T34-50 to 56, filed on December 7, 2001.

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 26, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE  
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AMERICAN BUSINESS MEDIA AND THE MCGRAW-HILL COMPANIES

**ABM-MH/USPS-T34-50.** In the Worksheet - Pound Data Advertising of USPS-LR-J-107 at cells E 56 and F 56, Mr. Taufique reports negative transportation costs per pound and negative revenue. Please explain how these Periodicals can have negative transportation costs. If these cells are in error, please provide a corrected worksheet.

**RESPONSE:**

The values in Cells E56 and F56 are accurate. These cells refer to the allocation of transportation cost to advertising pounds in the DDU rate category. The DDU rate does not include any transportation cost. Neither distance-related nor nondistance-related transportation cost is allocated to the DDU rate. So we start with zero for transportation cost for this rate cell. Then, non-transportation related cost savings are subtracted from this zero. The additional non-transportation related cost savings moving from DADC to DDU (E49-E47 in the same worksheet) are 3.4 cents, and that is what shows up in cell E56. Zero transportation cost minus the non-transportation cost savings is reflected in that number.

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**ABM-MH/USPS-T34-51.** In cell E 56 of the Worksheet - Pound Data Advertising of USPS-LR-J-107, please explain why the reference to cell E 57 appears in the underlying formula. If any underlying reference in cell E 56 is in error, please correct it and provide a narrative explanation of the corrected cell references.

**RESPONSE:**

*The reference to E57 is accurate, but the algebra could be simplified. As I have explained in my response to ABM-MH/USPS-T34-50, the value in cell E56 is zero transportation cost minus non-transportation cost savings. The algebra in the spreadsheet uses a step-by-step approach, but it is the difference between DADC and DDU non-transportation cost savings.*

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**ABM-MH/USPS-T34-52.** *In the Worksheet - Pound Data Advertising of USPS-LR-J-107, at cells E 56, E 57 and E 58, there are underlying references to cells E 47, E 48 and E 49. These cells appear to reflect the "Final Discount" figures that are reported after having taken account of the proposed 50% passthrough for the Pound Rate Dropship Discount. Please explain why 50% passthroughs of the, reported Pound Rate Dropship Cost Savings are used in the derivation of these Advertising Pound Rates. If these cell references are in error, please provide a narrative explanation of any correction and a corrected worksheet.*

**RESPONSE:**

The arithmetic is accurate and the 50 percent allocation is accurate. The choice of the word passthrough may not be totally appropriate. The values reflected in column C, rows 47, 48, and 49 are the total non-transportation cost savings expressed per-pound. Since these savings are allocated equally between pounds and pieces, 50 percent reflects this allocation to pounds. A similar 50 percent allocation to the piece portion can be found in worksheet Piece Discounts 2 in cells D17, D18, D19.

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**ABM-MH/USPS-T34-53.** USPS witness Mayes (USPS-T23) calculates the non-transportation dropship cost savings associated with DSCF-entered Periodicals as \$0.0350 per pound and the non-transportation dropship cost savings associated with DDU-entered Periodicals as \$0.0748 per pound. Based on these calculations, the increase in cost savings for DDU-entered Periodicals relative to DSCF-entered Periodicals appears to be \$0.0398 per pound (\$0.0748 less \$0.035). Mr Taufique's proposed advertising pound rates are \$0.204 per pound for destinating SCF Periodicals and \$0.16 per pound for destinating DDU-entered Periodicals. The proposed increased rate incentive to drop ship at the DDU thus appears to be \$0.044 per pound (\$0.204 less \$0.16). If these calculations are correct, please confirm them and explain fully why the USPS is proposing advertising pound rates in which the dropship rate incentives for DDU-entered Periodicals (relative to DSCF-entered Periodicals) appear to exceed the dropship cost savings that the USPS would realize from this activity.

**RESPONSE:**

The non-transportation cost savings between DSCF and DDU are actually \$0.02 and not 0.0398. As I have explained in my response to ABM-MH/USPS-T34-52, the final discount is based on a 50 percent allocation to pound-related rates. The difference between \$0.038 (cell E 47 worksheet Pound Data\_Ad) and \$0.018 (cell E 48 worksheet Pound Data\_Ad) is \$0.02. Another difference between the DSCF and DDU rates is that the DDU rate does not include any transportation cost. The nondistance-related transportation cost on a per-pound basis is \$0.024 (cell C43 worksheet Pound Data\_Ad). The sum of \$0.02 and \$0.024 is \$0.044, which is also the difference between the two rate cells as calculated in your question.

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**ABM-MH/USPS-T34-54.** Please confirm the following. If you are unable to confirm, please explain fully.

(a) In the Worksheet - Pound Data Editorial of USPS-LR-J-107 at cell C3, Mr. Taufique shows total "Revenue needed" from editorial pounds prior to the addition of revenue leakage in the amount of \$475,222,712. In the same worksheet, at cell C7, Mr. Taufique shows "editorial pounds" in the amount of 2,452,358,762. Dividing the editorial pound rate revenues from cell C3 by the editorial pounds in cell C7 yields an average editorial pound rate of \$0.194 per pound. All else equal, if the USPS had not decided to propose dropship rates for editorial pounds in this case, a flat editorial pound rate of \$0.194 would have been sufficient to provide the total revenue required for editorial pounds of Outside-County Periodicals mailers in this case.

(b) A flat editorial pound rate of \$0.187 would result if the traditional rule that the flat editorial pound rate for Outside-County (Regular-Rate) Periodicals should be set at 75 percent of the Zone 1 & 2 advertising pound rate for such mail is applied to the proposed Zone 1 & 2 advertising pound rate of \$0.250.

(c) A flat editorial pound rate of \$0.192 would result if the traditional rule that the flat editorial pound rate for Outside-County (Regular-Rate) Periodicals should be set at 75 percent of the Zone 1 & 2 advertising pound rate for such mail is applied to the proposed Zone 1 & 2 advertising pound rate of \$0.256 which, according to your response to Presiding Officer's Information Request No. 3, Question 3(d), is derived by using the traditional methodology for determining the advertising pound rates for such mail.

**RESPONSE:**

(a) Confirmed.

(b) The rate would be \$0.188 if rounded accurately.

(c) Confirmed.

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**ABM-MH/USPS-T34-55.** In the four page Attachment to his response to CRPA-NFIP/USPS-T34-5(c), Mr. Taufique, presents a summary of an "Internet Search" for comailing and co-palletization services. With respect to this "Search," please provide hard copies of all underlying web pages and site references that are relied upon to support the statements and conclusions that appear in the four page Attachment.

**RESPONSE:**

The Attachment was developed based on a brief review of the websites identified under the "Results" section. The review concentrated on the portions of the websites describing the company in general, and the products and services offered, particularly the distribution or transportation services offered. Specific information can be found at the following sites included in the primary site or linked with that site.

Quebecor World

1. [www.quebecorworld.com/htmen/0\\_1/0\\_1.htm](http://www.quebecorworld.com/htmen/0_1/0_1.htm) (Click "Quebecor World at a Glance")
2. [www.quebecorworld.com/htmen/2\\_0/2\\_3.htm](http://www.quebecorworld.com/htmen/2_0/2_3.htm)
3. [www.quebecorworld.com/htmen/14\\_0/14\\_4.htm](http://www.quebecorworld.com/htmen/14_0/14_4.htm)
4. [www.quebecorworld.com/htmen/14\\_0/14\\_2.htm](http://www.quebecorworld.com/htmen/14_0/14_2.htm)

Publishers Press

1. [www.pubpress.com](http://www.pubpress.com)
2. [www.pubpress.com/facts/fa\\_subs/fa\\_cap.htm](http://www.pubpress.com/facts/fa_subs/fa_cap.htm)

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**ABM-MH/USPS-T34-55 (CONTINUED)**

**RESPONSE:**

3. [www.pubpress.com/facts/fa\\_subs/fa\\_pic.htm](http://www.pubpress.com/facts/fa_subs/fa_pic.htm)
4. [www.pubpress.com/facts/fs\\_subs/fs\\_facts.htm](http://www.pubpress.com/facts/fs_subs/fs_facts.htm)
5. [www.pubpress.com/caps/dist/fs\\_dis.htm](http://www.pubpress.com/caps/dist/fs_dis.htm)
6. [www.pubpress.com/i\\_update/iu\\_fs.htm](http://www.pubpress.com/i_update/iu_fs.htm)
7. [www.pubpress.com/i\\_update/iu\\_main.htm](http://www.pubpress.com/i_update/iu_main.htm)

**Banta**

1. [www.banta.com](http://www.banta.com)
2. [www.banta.com/prodserv/](http://www.banta.com/prodserv/)
3. [www.banta.com/prodserv/pub.html](http://www.banta.com/prodserv/pub.html)
4. [www.banta.com/invest/corpprof.html](http://www.banta.com/invest/corpprof.html)
5. [www.banta.com/pubs/overview/distribution.html](http://www.banta.com/pubs/overview/distribution.html)

**Brown Printing**

1. [www.bpc.com/about\\_us.htm](http://www.bpc.com/about_us.htm)
2. [www.bpc.com/distribution\\_news.htm](http://www.bpc.com/distribution_news.htm)

**Perry Judds**

1. [www.judds.com](http://www.judds.com)
2. [www.judds.com/marketserved/logistics.asp](http://www.judds.com/marketserved/logistics.asp)



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**ABM-MH/USPS-T34-55 (CONTINUED)**

**RESPONSE:**

Fairrington Transportation

1. [www.fairrington.com](http://www.fairrington.com)

RR Donnelley & Sons Company

1. [www.rrdonnelley.com/about/](http://www.rrdonnelley.com/about/)
2. [www.rrdonnelley.com/services/distribution/](http://www.rrdonnelley.com/services/distribution/)
3. [www.rrdonnelley.com/products/magazines/](http://www.rrdonnelley.com/products/magazines/)
4. [www.rrdonnelley.com/products/magazines/consumer/](http://www.rrdonnelley.com/products/magazines/consumer/)
5. [www.donnelleylogistics.com/](http://www.donnelleylogistics.com/)

Quad/Graphics

1. [www.qg.com/whoweare/history.html](http://www.qg.com/whoweare/history.html)
2. [www.qg.com/prodserv/qgd.html](http://www.qg.com/prodserv/qgd.html)

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**ABM-MH/USPS-T34-56.** On page 2 of the four page Attachment to his response to CRPA-NFIP/USPS-T34-5(c), Mr. Taufique mentions that "an attempt was made to determine if the co-mail, co-palletization and drop shipping services [of certain printing and/or distribution companies] were available to publishers of periodicals with an average circulation of approximately 50,000 copies per issue."

(a) Please list the companies reviewed for which co-mail, co-palletization and drop shipping services were not apparently available to publishers of periodicals with an average circulation of approximately 50,000 copies per issue.

(b) Please confirm that each company reviewed does not appear to offer co-mail, co-palletization, and drop shipping services to publishers whose average circulation was substantially less than 50,000 copies per issue. If you do not confirm, please explain fully.

(c) Please explain why the Postal Service did not undertake to determine whether co-mail, co-palletization, and drop shipping services were available to publishers whose average circulation was substantially less than 50,000 copies per issue.

**RESPONSE:**

- (a) Since I have not contacted the companies directly, I do not believe it appropriate to conclude that a company does not offer a particular service based on the review of a corporate website.
- (b) Not confirmed. With the exception of the RR Donnelley & Sons Company site, the web sites are not specific concerning the volumes required to obtain co-mail, co-palletization, or dropshipping services. The RR Donnelley & Sons Company site identifies co-mailing as a service offered for "Consumer Magazines" with print runs of 150,000 copies, but the site does not mention the co-mail service under the "Specialized Publishing Services" category.

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**ABM-MH/USPS-T34-56 (CONTINUED)**

**RESPONSE:**

(c) I do not understand CRPA/USPS-T34-5(c) to be a request to study commercial availability of co-mail, co-palletization, and dropshipping services for publishers whose average circulation was "substantially" less than 50,000 per issue.

**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.

  
\_\_\_\_\_  
ALTAH H. TAUFIQUE

Dated: DECEMBER 26, 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.

A handwritten signature in cursive script that reads "David H. Rubin". The signature is written in black ink and is positioned above a horizontal line.

David H. Rubin

475 L'Enfant Plaza West, S.W.  
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