

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-T34-6-11, 14-16, 18, 21, 23, 25-31, 36-40, AND 42)

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-T34-6-11, 14-16, 18, 21, 23, 25-31, 36-40, and 42, filed on December 5, 2001.

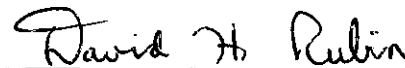
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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December 28, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE  
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ABM-MH/USPS-T34-6, Page 1 of 4

**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.

**RESPONSE:**

The following table summarizes the explanations for cost increases provided by the Postal Service during Docket No. R2000-1. For a more detailed explanation of factors contributing to Periodicals costs and their interrelationships, see the referenced sections of witness O'Tormey's (USPS-ST-42) and witness Unger's (USPS-ST-43) testimonies in response to Commission Order No. 1289.

| <b><u>Cost Increase Explanations</u></b>   | <b><u>Reference</u></b>   |
|--|---------------------------|
| 1. Mail Piece and Preparation Characteristics:   | USPS-ST-42,<br>page 11-12 |
| a) Flat Mail Characteristics: The allowable variation in the size, weight, shape, and thickness of flat mail makes it inherently more difficult to process. Mail at the extremes is often processed manually to ensure service and to allow automation to be used more productively. Newspapers are among the most difficult flats to handle due to their size, shape, thickness, and tendency to bend when handled. | USPS-ST-43,<br>page 3     |
| b) Address and Barcode Orientation: Mail from different sources tends to have addresses in various locations and in multiple orientations requiring operators to rotate mail pieces when keying or during manual operations.   | USPS-ST-42,<br>page 12    |
| c) OCR Address Readability: Information on the same side as the address may cause OCR address interpretation problems. Inability to accurately read the address with OCR equipment may result in use of keying or manual sortation.  | USPS-ST-42,<br>page 12-13 |
| d) Barcoded & Non-barcoded Flat Mailstreams: Barcoded Periodicals mail volume was insufficient to warrant separation and processing until the mid-   | USPS-ST-42,<br>page 15-16 |

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| <u>Cost Increase Explanations</u>   | <u>Reference</u>   |
|---|--|
| <p>1990s. By 1998, many larger mailings qualified for a 5-digit presort level discount, and at many locations, the 5-digit volume did not justify a separate sort run. The effect was that much of the barcoded mail continued to be processed in FSM keying operations or manually.</p> <p>e) Polywrapped Flats: Even with the standards and testing, polywrapped flats run with varying levels of success on the FSM 881. When difficulties occur, the mail must be processed on the FSM 1000 or manually.</p> <p>f) Line-of-Travel: If mail is prepared in line-of-travel sequence, the carrier can route the mail faster.</p> <p>g) Bundle (Package) Characteristics: Bundle breakage requires either re-strapping, or if the internal integrity is lost entirely, the mail must be worked as individual pieces, adding cost to the Periodicals processing operation.</p> <p>h) Container Characteristics: Pallets are generally easier to handle, dump, and process than containers with the same mail or sacks. The brick-stacking tends to help maintain the mail's shape and bundle integrity. Offsetting these benefits is the additional transportation costs since pallets take up more space. When compared to pallets, sacks tend to be more difficult to handle, contain relatively small amounts of mail, and increase the probability of bundle breakage and damage to the mail pieces.</p> | <p>USPS-ST-42, page 16-17;<br/>USPS-ST-43, page 3</p> <p>USPS-ST-43, page 4<br/>USPS-ST-43, page 4</p> <p>USPS-ST-43, page 4-5</p> |
| <p>2. Service Characteristics, Considerations and Service Improvements: Service standards and customer expectations influence mail processing decisions and costs.</p> <ul style="list-style-type: none"> <li>• Time sensitive nature of periodicals mail</li> <li>• Flexibility of acceptance to accommodate mailers and printer needs</li> <li>• Relationship of arrivals and urgency of dispatch</li> <li>• "Hot Pubs" handling in plants and delivery units</li> <li>• Supplemental transportation to meet service needs</li> <li>• Supplemental periodicals transportation to meet service needs</li> </ul> <p>Each service factor results in the potential for additional processing or transportation cost.</p>  | <p>USPS-ST-43, page 5-7, 9-10</p>  |

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|   |   |
|---|---|
| <p>3. Declining FSM Productivity and Related Operations</p> <p>a) As the FSM 881 aged and received new modifications, the maintenance requirements and the use of the maintenance window increased.</p> <p>b) As barcoded volume grew, more barcoded flat sort plans were being run. This resulted in the keying operations experiencing shorter runs with additional manhours for sweeping, relabeling, changing sort plans, etc.</p>  | <p>USPS-ST-42,<br/>page 14</p> <p>USPS-ST-43,<br/>page 14-15</p>  |
| <p>4. Reorganization Impact</p> <p>a) Supervisory Retirements: As a result of an internal reorganization, a number of experienced supervisors chose to retire.</p> <p>b) Allied Labor Workhour Reduction: Shortly after reorganization, management initiated an effort to better manage indirect mail processing operations. This resulted in a significant number of workhours related to prepping and dispatching the mail to be associated directly with FSM operations.</p> | <p>USPS-ST-42,<br/>page 17</p> <p>USPS-ST-42,<br/>page 17</p>     |
| <p>5. Strike After-effects and Fall Mailing Season Preparation: Due to mailer criticism of relatively poor performance in the Fall of 1997, the Fall 1998 plan was based on expectations of greater volumes that did not materialize.</p>   | <p>USPS-ST-42,<br/>page 17-18;<br/>USPS-ST-43,<br/>page 11-12</p> |

The Postal Service believes that providing an incentive for the mailers to enter mail closer to its destination would go a long way in addressing many of the problems discussed above. Please see my response to ABM-MH/USPS-T34-8 for the reasons why we believe that these incentives would result in more dropshipment. I am not an operations expert by any means but a number of issues in item # 1 above could be addressed by entering Periodicals mail closer to its destination. Item # 2 above deals with service issues. Entry closer to destination would address service problems without causing any upward pressures on cost.

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If the proposed incentives lead to more palletization of mail as discussed in my response to ABM-MH/USPS-T34-10, then we hope that items 1g and 1h could be addressed. My understanding is that bundle breakage is considerably less when the mail is prepared on pallets rather than sacks.

Generally, if we achieve finer levels of presortation (see my response to ABM-MH/USPS-T34-10) as a result of our proposal, mail processing cost (35 percent of the volume variable cost) could be controlled better.

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**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.

**RESPONSE:**

Although I do not have specific expectations for the "amount of downward influence" on cost that worksharing in areas such as presorting, barcoding, dropshipping, and palletization has had through the base year for Docket No. R2000-1, I believe these worksharing initiatives have had, and should continue to have, a positive influence on Periodicals cost containment. Absent worksharing, cost increases might have been larger. Other issues such as pieces per bundle and pieces per container also need to be evaluated before a judgment can be made regarding the impact of worksharing.

The initiatives that were undertaken by the Postal Service and the mailers in Docket No. R2000-1 (discussed on pages 415 through 419, Opinion and Recommended Decision, Vol. 1, Docket No. R2000-1) reflect our joint hope that we are willing to work together to overcome these barriers and bring Periodicals cost under control. The proposal in this Docket is a continuation of the same spirit, and is one additional step to improve the efficiency in preparation of mail

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while maintaining the distinctive ability of this subclass to disseminate  
information, thereby binding the nation together.

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**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.

**RESPONSE:**

Yes, based on my discussion with knowledgeable postal managers, mailers and members of the printing industry, I believe that the proposed editorial pound dropship discounts are sufficient to encourage additional dropshipment. I also expect that the editorial pound discount combined with the additional incentive provided by the per-piece pallet discounts will encourage the development of co-mailing, co-palletization and other mail consolidation efforts.

There are a number of reasons to believe that this would happen. First, as discussed in the Postal Service's response to your institutional interrogatory ABM-MH/USPS-1, the idea of editorial dropship pound rates has been discussed in the context of customized or specialized rate options designed to reduce costs. Though not a study in the traditional sense, at least two mailers assured the Postal Service that a significant change in their dropship profile would result from a discount on marginal editorial pounds. This is a clear indication that the editorial pound dropship discounts would be beneficial to both the Postal Service and the mailers.



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**ABM-MH/USPS-T34-8 (CONTINUED)**

**RESPONSE:**

Prior to the development of the Periodicals rate proposal, I asked RR Donnelley Logistics to assist in demonstrating the potential effect of editorial pound dropship discounts. Profiles for ten typical mailings, varying in size from 20,000 copies to 1.3 million copies, were developed and analyzed considering only the effect of the editorial pound dropship discounts. The results are summarized in Attachments 1 and 2 to this response. Although the editorial pound discounts I provided for this analysis are higher than the discounts eventually proposed (see Attachment 3 for rates provided), the results clearly illustrate that editorial pound dropship discounts have the potential to significantly increase dropshipping at SCFs and ADCs, with a significant impact on mailings of over 100,000 pieces. I have also proposed a per-piece pallet discount to recognize the cost savings related to handling Periodicals flats on pallets (see my testimony, pages 9-11). The combined editorial pound dropship discounts and the per-piece pallet discount provide incentives for Periodicals mailers to consider various mail consolidation and commercial transportation opportunities. These incentives, when considered in isolation or combination, are expected to reduce postal processing costs, provide an opportunity for mailers to mitigate postage increases, and improve service.

Although formal studies were not performed, I received considerable input from experienced postal managers and industry experts concerning the potential

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**ABM-MH/USPS-T34-8 (CONTINUED)**

**RESPONSE:**

impact of various rate options. Postal management's objective for offering these discounts is to encourage the entry of Periodicals mail as close as possible to the destination, thereby allowing for the most efficient subsequent processing. The expectation is that these discounts will:

- 1) encourage medium and large Periodicals mailers to increase the use of pallets and dropshipping; and
- 2) encourage the expansion and use of methods for mail consolidation such as co-mailing and co-palletization by small and medium-sized Periodicals mailers.

The discounts are expected to result in (1) finer levels of presortation, (2) an increase in the percentage of Periodicals dropshipped closer to delivery points, thereby reducing transportation and processing requirements and cost; and (3) the palletization of an increased amount of Periodicals mail.

Subject: Postal analysis

Author: Kris.Larson@rrd.com at INTERNET Date: 12/18/01 2:31 PM

Ashley,

At the request of the USPS, R.R. Donnelley Logistics has analyzed the postal rate scenarios supplied to us and is now able to submit to you the results of our analysis.

Attached below are comparisons of ten different periodical mailing files. The ten files range in size from twenty thousand copies up through one million three hundred thousand and in our experience are representative of mailings of varying sizes.

The analysis compares current postal rates to potential rates submitted to RRDL by Altaf Taufique in your organization and demonstrate the effect the rate structure would have on a printers ability to deliver mail to entry level USPS facilities.

We at R.R. Donnelley Logistics believe that analyzing representative files of varying sizes is the appropriate way to describe the effect potential rate structures will have on worksharing initiatives and impact on the various categories of mailers.

Please contact us with any questions you may have about our analysis results and keep us informed regarding how R.R. Donnelley & Sons can work with the USPS on upcoming initiatives.

Sincerely,

Kris Larson  
Director of Market Development  
R.R. Donnelley Logistics

(See attached file: RESULTST.XLS)(See attached file: Analysis results.xls)

File item 2 original document name: RESULTST.XLS File item 2 document type: PCDATA

File item 2 size (bytes): 24064

File item 3 original document name: Analysis results.xls File item 3 document type: PCDATA

File item 3 size (bytes): 15360

### Editorial Pound Dropship Discounts Analysis Result

**CURRENT PERIODICAL RATES**

|                      |              |                |
|----------------------|--------------|----------------|
| <b>Periodical #1</b> | SCF          | 345,675        |
|                      | 1&2          | 18,387         |
|                      | 3            | 37,111         |
|                      | 4            | 61,689         |
|                      | 5            | 23,736         |
|                      | 6            | 3,326          |
|                      | 7            | 0              |
|                      | 8            | 2,819          |
|                      | <b>TOTAL</b> | <b>492,743</b> |
| Local Entry          | Copies       | 142,246        |
|                      | AD %         | 0.38           |
|                      | COPY WT      | 0.8            |

**TEST PERIODICAL Rates #3**

|             |              |                |
|-------------|--------------|----------------|
|             | SCF          | 427,491        |
|             | ADC          | 38443          |
|             | 1&2          | 5,105          |
|             | 3            | 5,889          |
|             | 4            | 11,622         |
|             | 5            | 1,374          |
|             | 6            | 0              |
|             | 7            | 0              |
|             | 8            | 2,819          |
|             | <b>TOTAL</b> | <b>492,743</b> |
| Local Entry | Copies       | 26,809         |
|             | AD %         | 0.38           |
|             | COPY WT      | 0.8            |

|                      |              |               |
|----------------------|--------------|---------------|
| <b>Periodical #2</b> | SCF          | 0             |
|                      | 1&2          | 1787          |
|                      | 3            | 2,055         |
|                      | 4            | 4,258         |
|                      | 5            | 7,551         |
|                      | 6            | 1,198         |
|                      | 7            | 2,642         |
|                      | 8            | 695           |
|                      | <b>TOTAL</b> | <b>20,186</b> |
| Local Entry          | Copies       | 20,186        |
|                      | AD %         | 0.436         |
|                      | COPY WT      | 0.41          |

|             |              |               |
|-------------|--------------|---------------|
|             | SCF          | 0             |
|             | ADC          | 0             |
|             | 1&2          | 1787          |
|             | 3            | 2,055         |
|             | 4            | 4,258         |
|             | 5            | 7,551         |
|             | 6            | 1,198         |
|             | 7            | 2,642         |
|             | 8            | 695           |
|             | <b>TOTAL</b> | <b>20,186</b> |
| Local Entry | Copies       | 20,186        |
|             | AD %         | 0.436         |
|             | COPY WT      | 0.41          |

|                      |              |                |
|----------------------|--------------|----------------|
| <b>Periodical #3</b> | SCF          | 172,930        |
|                      | 1&2          | 22,007         |
|                      | 3            | 19,946         |
|                      | 4            | 31,777         |
|                      | 5            | 22,710         |
|                      | 6            | 2,371          |
|                      | 7            | 0              |
|                      | 8            | 3,072          |
|                      | <b>TOTAL</b> | <b>274,813</b> |
| Local Entry          | Copies       | 81,819         |
|                      | AD %         | 0.45           |
|                      | COPY WT      | 0.505          |

|             |              |                |
|-------------|--------------|----------------|
|             | SCF          | 183,582        |
|             | ADC          | 63281          |
|             | 1&2          | 6,341          |
|             | 3            | 7,958          |
|             | 4            | 9,128          |
|             | 5            | 1,451          |
|             | 6            | 0              |
|             | 7            | 0              |
|             | 8            | 3,072          |
|             | <b>TOTAL</b> | <b>274,813</b> |
| Local Entry | Copies       | 27,950         |
|             | AD %         | 0.45           |
|             | COPY WT      | 0.505          |

### Editorial Pound Dropship Discounts Analysis Result

| CURRENT PERIODICAL RATES |         |              | TEST PERIODICAL Rates #3 |         |              |
|--------------------------|---------|--------------|--------------------------|---------|--------------|
| Periodical #4            | SCF     | 35,145       |                          | SCF     | 37,487       |
|                          |         |              |                          | ADC     | 24302        |
|                          | 1&2     | 21,868       |                          | 1&2     | 1,062        |
|                          | 3       | 4,982        |                          | 3       | 1,873        |
|                          | 4       | 6,641        |                          | 4       | 4,583        |
|                          | 5       | 5,498        |                          | 5       | 4,827        |
|                          | 6       | 812          |                          | 6       | 812          |
|                          | 7       | 480          |                          | 7       | 480          |
|                          | 8       | <u>139</u>   |                          | 8       | <u>139</u>   |
|                          |         | 75,565       |                          |         | 75,565       |
| Local Entry              | Copies  | 17,004       | Local Entry              | Copies  | 13,776       |
|                          | AD %    | 0.41         |                          | AD %    | 0.41         |
|                          | COPY WT | 0.275        |                          | COPY WT | 0.275        |
| <hr/>                    |         |              | <hr/>                    |         |              |
| Periodical #5            | SCF     | 0            |                          | SCF     | 0            |
|                          | 1&2     | 4,350        |                          | 1&2     | 4,350        |
|                          | 3       | 5,524        |                          | 3       | 5,524        |
|                          | 4       | 11,987       |                          | 4       | 11,987       |
|                          | 5       | 18,647       |                          | 5       | 18,647       |
|                          | 6       | 3,892        |                          | 6       | 3,892        |
|                          | 7       | 12,553       |                          | 7       | 12,553       |
|                          | 8       | <u>3,571</u> |                          | 8       | <u>3,571</u> |
|                          |         | 60,524       |                          |         | 60,524       |
| Local Entry              | Copies  | 60,524       | Local Entry              | Copies  | 60,524       |
|                          | AD %    | 0.436        |                          | AD %    | 0.436        |
|                          | COPY WT | 0.41         |                          | COPY WT | 0.41         |
| <hr/>                    |         |              | <hr/>                    |         |              |
| Periodical #6            | SCF     | 100,974      |                          | SCF     | 106,486      |
|                          |         |              |                          | ADC     | 28,211       |
|                          | 1&2     | 18,289       |                          | 1&2     | 1,708        |
|                          | 3       | 8,886        |                          | 3       | 2,779        |
|                          | 4       | 10,628       |                          | 4       | 2,891        |
|                          | 5       | 4,182        |                          | 5       | 1,161        |
|                          | 6       | 799          |                          | 6       | 799          |
|                          | 7       | 337          |                          | 7       | 60           |
|                          | 8       | <u>746</u>   |                          | 8       | <u>746</u>   |
|                          |         | 144,841      |                          |         | 144,841      |
| Local Entry              | Copies  | 26,247       | Local Entry              | Copies  | 10,144       |
|                          | AD %    | 0.52         |                          | AD %    | 0.52         |
|                          | COPY WT | 0.89         |                          | COPY WT | 0.891        |

### Editorial Pound Dropship Discounts Analysis Result

| CURRENT PERIODICAL RATES |         |              | TEST PERIODICAL Rates #3 |         |              |
|--------------------------|---------|--------------|--------------------------|---------|--------------|
| <b>Periodical #7</b>     |         |              |                          |         |              |
|                          | SCF     | 123,730      |                          | SCF     | 139,319      |
|                          |         |              |                          |         | 35,692       |
|                          | 1&2     | 18,280       |                          | 1&2     | 3,785        |
|                          | 3       | 10,483       |                          | 3       | 2,683        |
|                          | 4       | 21,403       |                          | 4       | 4,387        |
|                          | 5       | 12,993       |                          | 5       | 2,244        |
|                          | 6       | 1,821        |                          | 6       | 600          |
|                          | 7       | 203          |                          | 7       | 203          |
|                          | 8       | <u>390</u>   |                          | 8       | <u>390</u>   |
|                          |         | 189,303      |                          |         | 189,303      |
| Local Entry              | Copies  | 49,771       | Local Entry              | Copies  | 14,292       |
|                          | AD %    | 0.43         |                          | AD %    | 0.43         |
|                          | COPY WT | 0.47         |                          | COPY WT | 0.47         |
| <b>Periodical #8</b>     |         |              |                          |         |              |
|                          | SCF     | 475,050      |                          | SCF     | 517,069      |
|                          |         |              |                          | ADC     | 26910        |
|                          | 1&2     | 16,104       |                          | 1&2     | 4,027        |
|                          | 3       | 19,535       |                          | 3       | 3,276        |
|                          | 4       | 44,664       |                          | 4       | 6,973        |
|                          | 5       | 3,105        |                          | 5       | 203          |
|                          | 6       | 0            |                          | 6       | 0            |
|                          | 7       | 0            |                          | 7       | 0            |
|                          | 8       | <u>3,223</u> |                          | 8       | <u>3,223</u> |
|                          |         | 561,681      |                          |         | 561,681      |
| Local Entry              | Copies  | 74,015       | Local Entry              | Copies  | 17,702       |
|                          | AD %    | 0.51         |                          | AD %    | 0.51         |
|                          | COPY WT | 1.2          |                          | COPY WT | 1.2          |
| <b>Periodical #9</b>     |         |              |                          |         |              |
|                          | SCF     | 503,245      |                          | SCF     | 579,564      |
|                          |         |              |                          | ADC     | 43699        |
|                          | 1&2     | 20,351       |                          | 1&2     | 4,925        |
|                          | 3       | 31,713       |                          | 3       | 7,910        |
|                          | 4       | 74,872       |                          | 4       | 10,824       |
|                          | 5       | 13,737       |                          | 5       | 322          |
|                          | 6       | 3,326        |                          | 6       | 0            |
|                          | 7       | 0            |                          | 7       | 0            |
|                          | 8       | <u>3,360</u> |                          | 8       | <u>3,360</u> |
|                          |         | 650,604      |                          |         | 650,604      |
| Local Entry              | Copies  | 135,973      | Local Entry              | Copies  | 27,341       |
|                          | AD %    | 0.42         |                          | AD %    | 0.42         |
|                          | COPY WT | 0.72         |                          | COPY WT | 0.72         |

### Editorial Pound Dropship Discounts Analysis Result

| CURRENT PERIODICAL RATES |         |               | TEST PERIODICAL Rates #3 |         |               |
|--------------------------|---------|---------------|--------------------------|---------|---------------|
| Periodical #10           |         |               |                          |         |               |
|                          | SCF     | 1,393,540     |                          | SCF     | 1,613,719     |
|                          |         |               |                          | ADC     | 82576         |
|                          | 1&2     | 80,043        |                          | 1&2     | 7,869         |
|                          | 3       | 99,573        |                          | 3       | 12,247        |
|                          | 4       | 146,777       |                          | 4       | 17,580        |
|                          | 5       | 15,302        |                          | 5       | 1,244         |
|                          | 6       | 0             |                          | 6       | 0             |
|                          | 7       | 0             |                          | 7       | 0             |
|                          | 8       | <u>10,732</u> |                          | 8       | <u>10,732</u> |
|                          |         | 1,745,967     |                          |         | 1,745,967     |
| Local Entry              | Copies  | 312,263       | Local Entry              | Copies  | 49,672        |
|                          | AD %    | 0.5           |                          | AD %    | 0.5           |
|                          | COPY WT | 1.3           |                          | COPY WT | 1.3           |

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## Periodicals Rates Used to Evaluate Dropship Discounts

|                           | Advertising | Editorial |
|---------------------------|-------------|-----------|
|                           | Pounds      | Pounds    |
| Destinating Delivery Unit | \$ 0.151    | \$ 0.112  |
| Destinating SCF           | \$ 0.192    | \$ 0.153  |
| Destinating ADC           | \$ 0.211    | \$ 0.172  |
| Zone 1 & 2                | \$ 0.233    | \$ 0.194  |
| Zone 3                    | \$ 0.249    |           |
| Zone 4                    | \$ 0.289    |           |
| Zone 5                    | \$ 0.351    |           |
| Zone 6                    | \$ 0.417    |           |
| Zone 7                    | \$ 0.495    |           |
| Zone 8                    | \$ 0.563    |           |
|                           |             |           |
| Piece Dropship Discounts  |             |           |
| DDU                       | \$ 0.017    |           |
| DSCF                      | \$ 0.008    |           |
| DADC                      | \$ 0.004    |           |



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**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.

**RESPONSE:**

See my response to ABM-MH/USPS-T34-8.

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**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.

**RESPONSE:**

(a-b) See my response to ABM-MH/USPS-T34-8. Also, the Magazine Publishers of America (MPA) recently wrote to the Postal Service concerning preliminary membership feedback on the effect of the proposed Periodicals rate structure. This letter is included as an attachment to CRPA-NFIP/USPS-T34-14(c). This preliminary feedback indicates that the Periodicals rate proposal will encourage use of co-mailing, co-palletization and dropshipping and is expected to substantially increase presortation. Based on this feedback, I conclude that the proposed Periodicals rate structure will achieve postal management's objectives outlined in the response to ABM-MH/USPS-T34-8.

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**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.

**RESPONSE:**

(a-b) See my responses to ABM-MH/USPS-T34-8, CRPA-NFIP/USPS-T34-14(c), and ABM-MH/USPS-T34-10.

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**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?

**RESPONSE:**

Yes. The analysis provided on the attached sheet is an example. A weakness of such an analysis in this particular docket is estimating the volumes for rate categories not currently in existence. Also difficult to estimate are the changes in billing determinants that would result due to the proposal. For the most part this analysis reflects the impact on mailers if they did nothing. To the extent a mailer increases worksharing, its rate increase would be reduced.

| Proposed Rate Effects on Various Publications |                        |                   |                   |                     |                    |                      |
|---|------------------------|-------------------|-------------------|---------------------|--------------------|----------------------|
| Current<br>Rev./Piece                         | Proposed<br>Rev./Piece | Percent<br>Change | FY2000<br>Volume* | Weight<br>per Piece | Weight<br>per Copy | Editorial<br>Content |
| \$ 0.238                                      | \$ 0.261               | 9.54%             | 2                 | 0.408               | 0.398              | 41.0%                |
| \$ 0.286                                      | \$ 0.322               | 12.29%            | 1                 | 0.315               | 0.289              | 50.3%                |
| \$ 0.535                                      | \$ 0.592               | 10.76%            | 1                 | 1.051               | 0.997              | 29.1%                |
| \$ 0.323                                      | \$ 0.357               | 10.71%            | 1                 | 0.618               | 0.618              | 41.4%                |
| \$ 0.323                                      | \$ 0.357               | 10.46%            | 1                 | 0.495               | 0.463              | 45.0%                |
| \$ 0.264                                      | \$ 0.289               | 9.47%             | 3                 | 0.595               | 0.595              | 55.2%                |
| \$ 0.366                                      | \$ 0.406               | 10.97%            | 3                 | 0.815               | 0.814              | 47.5%                |
| \$ 0.460                                      | \$ 0.513               | 11.61%            | 1                 | 1.052               | 0.953              | 39.2%                |
| \$ 0.250                                      | \$ 0.279               | 11.79%            | 2                 | 0.430               | 0.429              | 78.3%                |
| \$ 0.418                                      | \$ 0.467               | 11.83%            | 1                 | 0.711               | 0.514              | 34.1%                |
| \$ 0.284                                      | \$ 0.313               | 10.23%            | 3                 | 0.608               | 0.608              | 61.2%                |
| \$ 0.269                                      | \$ 0.292               | 8.26%             | 2                 | 0.519               | 0.519              | 54.2%                |
| \$ 0.365                                      | \$ 0.409               | 12.24%            | 1                 | 0.599               | 0.569              | 44.6%                |
| \$ 0.230                                      | \$ 0.258               | 11.96%            | 3                 | 0.379               | 0.315              | 68.2%                |
| \$ 0.405                                      | \$ 0.455               | 12.48%            | 1                 | 0.619               | 0.540              | 33.7%                |
| \$ 0.204                                      | \$ 0.223               | 9.18%             | 3                 | 0.415               | 0.394              | 60.2%                |
| \$ 0.592                                      | \$ 0.668               | 12.87%            | 1                 | 1.000               | 0.995              | 28.8%                |
| \$ 0.293                                      | \$ 0.331               | 12.85%            | 1                 | 0.297               | 0.287              | 51.9%                |
| \$ 0.277                                      | \$ 0.307               | 11.04%            | 2                 | 0.421               | 0.399              | 40.2%                |
| \$ 0.241                                      | \$ 0.271               | 12.31%            | 2                 | 0.409               | 0.409              | 86.0%                |
| \$ 0.433                                      | \$ 0.467               | 7.87%             | 2                 | 1.250               | 1.247              | 41.8%                |
| \$ 0.337                                      | \$ 0.378               | 12.26%            | 1                 | 0.375               | 0.372              | 36.7%                |
| \$ 0.294                                      | \$ 0.331               | 12.43%            | 1                 | 0.307               | 0.262              | 40.6%                |
| \$ 0.294                                      | \$ 0.331               | 12.64%            | 1                 | 0.374               | 0.372              | 60.6%                |
| \$ 0.334                                      | \$ 0.378               | 13.13%            | 1                 | 0.487               | 0.478              | 47.5%                |
| \$ 0.324                                      | \$ 0.364               | 12.24%            | 1                 | 0.354               | 0.260              | 37.0%                |
| \$ 0.245                                      | \$ 0.275               | 12.31%            | 2                 | 0.409               | 0.408              | 84.9%                |
| \$ 0.362                                      | \$ 0.403               | 11.23%            | 2                 | 0.562               | 0.558              | 39.3%                |
| \$ 0.321                                      | \$ 0.345               | 7.58%             | 2                 | 0.955               | 0.953              | 47.9%                |
| \$ 0.380                                      | \$ 0.425               | 11.76%            | 1                 | 0.627               | 0.599              | 43.1%                |
| \$ 0.189                                      | \$ 0.205               | 8.27%             | 4                 | 0.410               | 0.399              | 52.8%                |
| \$ 0.303                                      | \$ 0.325               | 7.44%             | 3                 | 0.843               | 0.840              | 40.2%                |
| \$ 0.274                                      | \$ 0.296               | 7.91%             | 3                 | 0.708               | 0.683              | 47.0%                |
| \$ 0.206                                      | \$ 0.225               | 9.30%             | 3                 | 0.409               | 0.408              | 58.3%                |
| \$ 0.184                                      | \$ 0.200               | 8.33%             | 4                 | 0.407               | 0.401              | 56.9%                |
| \$ 0.360                                      | \$ 0.392               | 8.87%             | 3                 | 1.015               | 1.014              | 44.0%                |
| \$ 0.215                                      | \$ 0.233               | 8.45%             | 3                 | 0.475               | 0.473              | 48.5%                |
| \$ 0.180                                      | \$ 0.195               | 8.50%             | 4                 | 0.353               | 0.338              | 52.2%                |
| \$ 0.214                                      | \$ 0.233               | 8.73%             | 3                 | 0.463               | 0.460              | 49.5%                |
| \$ 0.222                                      | \$ 0.240               | 8.18%             | 4                 | 0.529               | 0.525              | 49.6%                |
| \$ 0.160                                      | \$ 0.179               | 11.81%            | 3                 | 0.246               | 0.244              | 78.1%                |
| \$ 0.263                                      | \$ 0.282               | 7.32%             | 3                 | 0.691               | 0.687              | 59.2%                |
| \$ 0.305                                      | \$ 0.328               | 7.61%             | 3                 | 0.903               | 0.898              | 42.4%                |
| \$ 0.271                                      | \$ 0.300               | 10.34%            | 3                 | 0.728               | 0.727              | 59.4%                |
| \$ 0.237                                      | \$ 0.256               | 7.87%             | 3                 | 0.580               | 0.577              | 39.0%                |

\*Volume Categories

- 1 FY2000 Volume less than 1 million copies
- 2 FY2000 Volume between 1-10 million copies
- 3 FY2000 Volume between 10-100 million copies
- 4 FY2000 Volume greater than 100 million copies

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**ABM-MH/USPS-T34-15.** At lines 14-17 of page 6 of USPST34, 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.

**RESPONSE:**

(a) See my responses to ABM-MH/USPS-T34-8, CRPA-NFIP/USPS-T34-14(c), and ABM-MH/USPS-T34-10.

(b) There seems to be concern that small and medium-sized Periodicals mailers may not be able to take advantage of the proposed editorial pound dropshipping discounts or the palletization discount. In MPA's letter (included as an attachment to CRPA-NFIP/USPS-T34-14(c)), it is interesting to note that even without the benefit of the proposed discounts, mailers with Periodicals mailings as small as 500 pieces are taking advantage of co-mailing and co-palletization services.

I believe the proposed Periodicals rate structure will have the effect of encouraging the use of these mail consolidation techniques, and that any concern that medium and small mailers will be unable to obtain the benefit of the proposed discounts due to small issue volumes is overstated.

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**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.

**RESPONSE:**

See my responses to ABM-MH/USPS-T34-8, CRPA-NFIP/USPS-T34-14(c), and ABM-MH/USPS-T34-10.

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**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.

**RESPONSE:**

- (a) This statement is based on a simple premise that the passthroughs used for the editorial dropship pound rates and for palletized pieces are less than 100 percent. Any additional worksharing in either of the two areas would automatically plow back a portion of the savings to the subclass, thereby reducing overall costs. This reduction would benefit even the mailers who may not be able to dropship their mail.
- (b) Please see my response to your question ABM-MH/USPS-T34-12.



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**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.

**RESPONSE:**

My recollection is that one option that was considered was 100 percent passthrough of the rate differentials derived for advertising pound rates in order to calculate the dropship rates for editorial pounds. That option was almost immediately rejected due to its impact on the unzoned editorial pound rates. A 50 percent passthrough provided the balance that the Postal Service was seeking between a reasonable uniform editorial pound rate, and larger incentives for dropshipping.

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**ABM-MH/USPS-T34-23.** At lines 23-25 of page 7 of USPST34, 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.

**RESPONSE:**

Allocation of transportation cost is relatively straightforward. In the worksheet "Pound Data\_Adv" (page 18 of 30) Cell C39 has the total transportation cost. The allocation to the advertising portion takes place in Cell C40. Distance-related and nondistance-related transportation costs are calculated in Cells C41 and C42 respectively. Cell C43 contains the average nondistance-related transportation cost which is added to all advertising pound rate cells except DDU. The amount in Cell C41 is allocated to all zones plus the destination ADC rate. 100 percent of transportation cost avoidances are reflected in the differences in rates for the various zones.

The allocation of non-transportation cost savings is a bit more complicated. Worksheet "Discounts" (page 21 of 30) contains the total savings on a per-piece and per-pound basis. In Cells C10, C11 and C12 (DDU, DSCF, & DADC) total savings are stated on a per-piece basis while in Cells D10, D11 and D12 (DDU, DSCF, & DADC) total savings are stated on a per-pound basis. These savings

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are allocated to pounds and pieces equally. That is the reason for 50 percent in Cells C47, C48, and C49 in the worksheet Pound Data\_Adv (page 18 of 30). A similar allocation of 50 percent to the piece portion appears in worksheet "Piece Discounts 2" (page 23 of 30) in Cells C17 through C19.

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**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.

**RESPONSE:**

Confirmed in the sense that mailers, including First-Class Mail mailers, have service incentives to move volumes of mail closer to destination facilities.

However, service incentives are not the same as economic incentives.

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**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.

**RESPONSE:**

See my responses to ABM-MH/USPS-T34-8, CRPA-NFIP/USPS-T34-14(c), and ABM-MH/USPS-T34-10.

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**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.

**RESPONSE:**

See my responses to ABM-MH/USPS-T34-8, CRPA-NFIP/USPS-T34-14(c), and ABM-MH/USPS-T34-10.

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**ABM-MH/USPS-T34-28.** On page 8 of USPS-T-34, 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.

**RESPONSE:**

In Docket No. R2000-1, witness Jones (PFPA-T-1) of the Professional Football Publication Association (PFPA) discussed the importance of timely delivery and the impact of delivery failures on the operations of his membership.

The Postal Service working with the MTAC Periodical Service Improvement Team has undertaken a number of initiatives focused on improvement of service for Periodicals mailers. The issues referred to are those presented by witness Jones; and the meaning of my statement is that although I believe progress is being made, I do not believe the issues concerning timely delivery have been fully resolved. It is worth noting that many of the service issues arise with smaller mailings that are not entered at destinating facilities and must be handled several times. I believe that the co-mailing and dropshipping that would be encouraged by the Postal Service proposal would be one tool in addressing these service issues.

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**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.

**RESPONSE:**

See my response to ABM-MH/USPS-T34-28. To the best of my knowledge, the Postal Service has not performed any studies that quantify Periodicals delivery performance during the last three years.



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**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.

**RESPONSE:**

Although a variety of rate designs and rate levels were considered during the development of the proposed Periodicals rate structure, the descriptions of the specific alternatives and the information required to reconstruct them is no longer available.

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**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.

**RESPONSE:**

The purpose of offering the editorial pound dropshipping discounts is to encourage the use of co-mailing, co-palletization, and other forms of Periodicals mail consolidation as discussed in my responses to ABM-MH/USPS-T34-8, 10, and 15, and CRPA/USPS-T34-14(c). We believe that these options are available to mailers of all sizes. The proposal in this docket provides mailers an economic incentive to re-evaluate these options.

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**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.

**RESPONSE:**

No such data exist in the current docket nor have data existed in previous rate dockets. The precedent that was established many years ago was to raise 40 percent of Periodicals Regular Rate (the predecessor to the Outside County subclass) revenue from pound rates and 60 percent from piece rates. (Nonprofit, Classroom and Within County had different allocations in some cases.)

Transportation costs are allocated based on pound miles (the product of average haul and advertising pounds by zones). Once that allocation is complete, rates are derived to reflect these costs. The revenue raised from the resulting rates is calculated, and this revenue is subtracted from the revenue that was derived originally using the 40 percent allocation. The shortfall is the residual revenue that is discussed in my testimony. A similar methodology has been used since before I filed my first Periodicals testimony in Docket No. R97-1.

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**ABM-MH/USPS-T34-37.** At lines 20-21 of page 9 of USPST34, Mr. Tautique 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.

**RESPONSE:**

The cost savings are on a per container basis. Since container handling falls under mail processing, which is essentially piece related, the Postal Service believes that the container cost savings are piece related. A simultaneous per-piece, per-pound rate structure could be cumbersome.

With these caveats in mind, the Postal Service is not unalterably opposed to a per-piece, per-pound discount rate structure provided these concerns could be addressed.

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**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.

**RESPONSE:**

The minimum weight to qualify for the per-piece pallet discount is 250 pounds. 180 pound pallets are currently being used by some mailers for service reasons, but pieces on those pallets would not be eligible for this discount. The Postal Service plans to study the optimum size for pallets and may use the information in future rate or reclassification proceedings.

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

**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.

**RESPONSE:**

The Postal Service has not estimated any potential shift from sacks or containers to pallets that may result from the per-piece pallet discount proposal. The per-piece pallet discount was based on the cost estimate derived by witness Schenk and provided at USPS-LR-J-100, Table 1.

Recently the Magazine Publishers of America (MPA) wrote to the Postal Service concerning preliminary membership feedback on the effect of the proposed Periodicals rate structure. Their letter is included as an attachment to CRPA-NFIP/USPS-T34-14(c). This preliminary feedback indicates that the Periodicals rate proposal will encourage palletization.

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

**ABM-MWUSPS-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.

**RESPONSE:**

I am not familiar with any studies that deal with the subject of delivery time and its relationship to the containers in or on which the mail is prepared. One would generally expect a positive correlation between palletized mail and shorter delivery times for the simple reason that most dropshipped mail is on pallets rather than on sacks.

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

**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.

**RESPONSE:**

Not confirmed. My statement implied that just because a discount is offered does not mean that worksharing would automatically be performed by mailers.

Worksharing could be performed by mailers for other reasons such as desired improvement in delivery times.



# 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.

  
\_\_\_\_\_  
ALTAF H. TAUFIQUE

Dated: DECEMBER 28, 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.

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

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
December 28, 2001