

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268B0001

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POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAUFIQUE TO INTERROGATORIES OF
THE NATIONAL NEWSPAPER ASSOCIATION
(NNA/USPS-T34-1-3)

The United States Postal Service hereby provides the responses of witness Taufique to the following interrogatories of the National Newspaper Association: NNA/USPS-T34-1 to 3, filed on December 21, 2001.

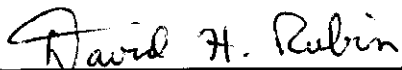
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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January 3, 2002

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T-34-1. Please refer to your testimony with regard to pallets and sacks on page 10. Please provide a list of containerization options, with the exception of sacks, available for low volume Periodical mailings that cannot be commingled.

RESPONSE:

My understanding is that the containerization options for nonletter-size Periodicals mail are sacks and pallets.

Based on my understanding, in a single mailing, the minimum load per pallet is 250 pounds. In a mailing or mailing job presented for acceptance at a single postal facility, one overflow pallet may be prepared containing less than 250 pounds if the mail is for the service area of the entry facility.

There is no minimum load per pallet for pallets entered at a destination delivery unit if the mail on those pallets is for that unit's service area. For mail entered at an SCF, the manager of that facility may issue a written authorization allowing preparation of any 5-digit, 3-digit, or SCF pallets containing less than the minimum required volume if the mail on those pallets is for that SCF's service area.

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NNA/USPS-T-34-2. Please refer to page 4 of your testimony where you state: "I am also proposing a change to DMCS 421.45 to limit the destination entry discounts to mail entered at the destination facility," and also to your recognition of the history of cost increases for Periodical mail, referenced on page 6 of your testimony.

- a. Please confirm that Periodical mail has received higher-than-system average rate increases in the past two rate cases. If you do not confirm, please explain your answer.
- b. Please confirm that some periodicals are entered within a Sectional Center Facility (SCF) zone for delivery within an SCF zone without necessarily passing through the SCF itself. If you do not confirm, please explain your answer.
- c. Please confirm that newspaper mail that is typically entered within an SCF zone for delivery within an SCF zone without necessarily passing through the SCF itself may actually be considered "drop-shipped" in the sense that mail is deposited closer to a destination than required of the mailer. If you do not confirm, please explain your answer.
- d. Please confirm that through proper bundling and packaging, a Periodical mailer can prepare mail for entry within an SCF zone for delivery within the same SCF zone without requiring opening of the container, sorting or further handling within the SCF. If you do not confirm, please explain your answer.
- e. Please confirm that the periodicals involved in question b, c and d would be denied a destination entry discount under your proposal. If you do not confirm please explain your answer.

RESPONSE:

- a. Confirmed. Even with significantly lower cost coverages in both cases the overall increase for Periodicals has been higher than average. Mitigation efforts and cost reduction initiatives by the mailers and the Postal Service were successful in reducing some of this impact.

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- b. Confirmed based on my understanding of the process. For example, a 5-digit container may be entered at the associate office that services the addresses within the container and has only manual processing to carriers.
- c. Confirmed based on my understanding of the process.
- d. Confirmed based on my understanding of the process – e.g., a 5-digit container destined for a manual only associate office may pass through the SCF but may not be opened for processing at the SCF.
- e. My understanding is that factors such as the container level, the machinability of the mailpieces, whether or not the destination office is an automated zone, and whether there is transportation between the office of entry and the office of destination would determine eligibility for the DSCF rate in parts b and c. The DSCF rate would not apply to packages of mail that require backhauling to the SCF, regardless of the package level. Conversely, the DSCF rate would apply if backhauling to the DSCF is not required for operational reasons.

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NNA/USPS-T-34-3. Please refer to MPA/USPS-T-34-8, redirected from you to witness Mayes, where she confirms that no cost analyses have been conducted with regard to DSCF rated pieces entered at the destination facility and those not so entered.

a. If the Postal Service has conducted no studies of the cost impact, upon what costing theory or basis have you made the recommendation to restrict this discount to pieces entered into the destination facility? Please describe this costing theory or basis in detail.

b. If a mail piece were entered at an associate office within an SCF for delivery within the SCF, is it conceivable that such a piece would create no greater attributable cost than the same piece entered at an SCF for delivery within the SCF? If your answer is yes, please explain the circumstances under which that might occur. If your answer is no, please fully explain your answer.

c. Would your answer to 3b depend upon whether transportation normally traveling between the entry associate office and the destination office exists? Please explain your response.

d. Has the Postal Service considered granting the destination entry discount to any mail entered and delivered within the SCF, other than the mail entered directly at the destination facility? If your response is yes, please explain the terms under which the discount might be granted. If your response is no, please explain why such an option was not proposed in this case.

RESPONSE:

a. Please refer to the response to part (a) of MPA/USPS-T34-8 where witness Mayes states: "The current and proposed discounts are based on cost savings estimates developed using the assumption that mail receiving the destination entry SCF discount is dropped at the destinating facility and not just at any facility within the service area of that SCF."

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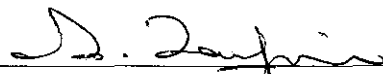
b. Yes. Refer to the example in subpart b of NNA/USPS-T34-2.

c. The answer to b depends on factors such as the container level, the machinability of the mailpieces, whether or not the destination office is an automated zone, and whether there is transportation between the office of entry and the office of destination.

d. Yes, depending on factors such as those described in c.

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: JANUARY 3, 2002

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

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