

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY  
Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS TAUFIQUE TO INTERROGATORY OF  
THE AMERICAN BUSINESS PRESS  
(ABP/USPS-T34-16-22)

The United States Postal Service hereby provides the responses of witness Taufique to the following interrogatories of the American Business Press: ABP/USPS-T34-16-22, filed on September 5, 1997.

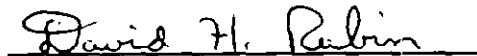
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
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September 19, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE  
TO INTERROGATORIES OF AMERICAN BUSINESS PRESS (ABP)

ABP/USPS-T-34-16

[a] In reference to your response to ABP/USPS-T-34-5 [a], you did not specifically elaborate on the meaning of the term "rate shock" as used in your testimony. Is the definition of "rate shock" as you refer to it in your testimony and as you responded to T-34-5[a] increases for rate cells that exceed 10%?

[b] Was the decision to "keep the increases below 10 percent" a management decision or your decision? If it was a management decision, who made the decision and what is the rationale for that decision?

RESPONSE

[a] Rate shock refers to a subjective assessment of the magnitude of particular rate increase. In terms of proportional increases, 10 percent seemed to be a good guideline, given the size of the overall rate increase (3.5 percent) and the small structural changes in Periodicals Regular Rate, that would still reflect, to some degree, costs and cost changes. This limit of plus or minus 10 percent reflects a subjective evaluation of effects that would constitute rate shock.

[b] I discussed this with management and we agreed that an upper limit of 10 percent was appropriate for regular rate periodicals given the overall increase for Periodicals Regular Rate.

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ABP\USPS-T-34-17

[a] Please clarify your response to ABP/USPS-T-34-7[c] insofar you state that if the Postal Service reinstitutes SCF sacks, all mail in SCF sacks would be eligible for Basic rates yet USPS currently permits automation-qualified 3- and 5-digit sorted periodical mail in ADC sacks to be eligible for 3 and 5digit discounts. Given that situation, why would SCF sacks be treated any differently than ADC sacks, especially since the vast majority of ADCs are SCFs?

[b] If incoming primary and secondary distribution are done at an SCF to sort periodical pieces in 3- and 5-digit packages to the appropriate carrier routes, why would such pieces, if enclosed in a sack opened at that SCF, pay Basic per-piece rates?

RESPONSE

[a] and [b] Please see my revised response to USPS-T-34-7[c], filed on September 12, 1997, for clarification.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE  
TO INTERROGATORIES OF AMERICAN BUSINESS PRESS (ABP)

ABP/USPS-T-34-18

[a] Your answer to ABP\USPS-T-34-8[d], which explains the non-performance of weight and cost studies by USPS, states that USPS cannot "complete" all studies it might have wished to complete because of "resource constraints." Did USPS, since the R94-1 opinion of the Postal Rate Commission, begin any studies that examine the effect of weight on periodical costs?

[b] Identify all studies in all rate and classification proceedings since R94-1 that examine the effect of weight on cost that USPS has performed, completed and presented as either testimony, exhibits to testimony, or library references. Please identify the docket number of each such proceeding, the witness sponsoring the testimony (if any) concerning a weight/cost study, and the subclass, rate category or special service concerning which the weight/cost study was completed.

[c] If studies about weight for other subclasses or rate categories other than second-class or periodicals were completed since the beginning of 1996, why were those studies considered to have greater priority than the periodical studies repeatedly called for by the Commission over a ten-year period?

RESPONSE

[a] Yes, but this study was terminated during 1996 because resources were needed for other projects.

[b] I am aware of two studies that the Postal Service has performed, completed, and presented as library references examining the effect of weight on cost.

Library Reference MCR-12 (from Docket No. MC95-1) examined the impact of weight on mail processing and some other costs for bulk third-class mail. LR-H-182 (from this docket) uses the new MODS pool/volume variability information

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ABP/USPS-T-18 [b] Continued, Page 2 of 2

and analyzes the relationship between weight and total unit volume variable costs in Bulk Standard Mail (A).

[c] The Standard Mail (A) weight/cost study was deemed to have a higher priority for at least two reasons. First, Standard Mail (A) is a relatively much larger mail class by any standard (revenues, volumes, contribution, etc.). Second, in this docket the Postal Service is proposing a surcharge for nonletter, nonflat shaped pieces in Standard Mail (A). Since one of the reasons for the size of the pound rate in Standard Mail (A) is to proxy for parcels' increased presence in the heavier weight increments, explicitly surcharging parcels would suggest lowering the pound rate. The Docket No. R97-1 weight study was initiated to provide additional support for that important proposal.

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ABP\USPS-T-34-19

Based on your response to ABP/USPS-T-34-11, can it be concluded that the nonadvertising pound rate in periodical regular rate subclass was constructed using a weight percentage for non-advertising pounds of 54.5%, and not a percentage of 58.7% which is derived according to your response from a measure of the actual column inches?

RESPONSE

The nonadvertising pound rate in the Periodical Regular Rate subclass was constructed using actual nonadvertising pounds as reported in the billing determinants rather than using either of the percentage figures in your question. Of those two percentages, 54.5 percent is the one derived from the actual nonadvertising pounds. See ABP/USPS-T-34-11.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE  
TO INTERROGATORIES OF AMERICAN BUSINESS PRESS (ABP)

ABP/USPS-T-34-20

Your response to ABP/USPS-T-34-12 indicates that both pound and piece rates for *dropshipped periodicals* were reduced in your proposed rate design. On what cost evidence filed so far in this case did you decide to reduce pound rates for avoided *non-transportation*, distance-related costs, instead of applying those savings only to piece rates?

RESPONSE

Both pound and piece rates for dropshipped periodicals were reduced in my proposed rate design, but the savings referred to in my testimony on page 19, lines 16-19, and in your original question, were applied only to piece rates. The pound rate reduction was due to the rate design that allocated the pound rate target revenue in the following fashion:

Target Pound Rate Revenue was divided into distance related transportation, nondistance related transportation, and the residual, labeled non-transportation. The distance related transportation portion is paid for by all zones (1&2 through 8). The non-distance related transportation portion is paid for by all zones plus destination SCF (DSCF). The residual amount labeled nontransportation is paid for by all zones, DSCF, and destination delivery unit (DDU).

In your original question ABP/USPS-T-34-12, you had referred to "recognition of non-distance dropship shipment cost savings (p.19, lines 16-19)". These savings in my testimony are referred to as non-transportation drop shipment cost savings and are found in Library Reference H-111. These savings

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are applied to piece rates exclusively, as stated in my testimony (See USPS-T-34, p. 19, lines 16-19). The last part of your question “On what cost evidence filed so far in this case did you decide to reduce pound rates for avoided *non-transportation*, distance-related costs, instead of applying those savings only to piece rates?” is contrary to what my proposal puts forth.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE  
TO INTERROGATORIES OF AMERICAN BUSINESS PRESS (ABP)

ABP/USPS-T-34- 21

[a] Referring to your response to ABP/USPS-T-34-13, why are there no distance related costs allocated to intra-SCF mail, if as seems likely, postal transportation from SCFs to delivery facilities within the SCF area takes place on routes of varying lengths? If you do not agree that trips within the SCF area do have different lengths, please explain your position.

[b] In connection with part [a] above, do you agree that there can be point to point routes within an SCF as short as a mile and as long as distances in excess of 100 miles?

RESPONSE

[a] I agree that postal transportation from SCFs to delivery facilities within the SCF area may take place on routes of varying length. However, I do not allocate the distance-related transportation to SCF dropshipment pounds because my understanding is that the non-distance related transportation costs include all intra-SCF transportation, whereas the distance related transportation costs do not include intra-SCF transportation.

[b] Yes, but these costs nonetheless are treated as non-distance related. Please see the response to ABP/USPS-T-34-21[a] above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE  
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ABP/USPS-T-34-22

In question ABP/USPS-T-34-15, ABP asked you if the reference to "0.01 cents" at p.16, lines 8-9, of your testimony should be corrected to "1 cent." You answered simply "No." As a result, we checked your workpaper W/P RR-I, cell 39, and we will re-ask the question as follows: "Should the reference to ".01 cents" be corrected to ".1 cents"?"

RESPONSE

Yes.

**DECLARATION**

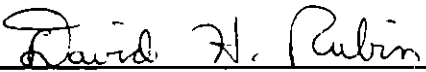
I, Altaf H. Taufique, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
ALTAH H. TAUFIQUE

Dated: 9/19/97

## 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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