

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

EXPERIMENTAL PERIODICALS
CO-PALLETIZATION DROPSHIP DISCOUNTS FOR
HIGH EDITORIAL PUBLICATIONS, 2004

Docket No. MC2004-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORIES OF
TIME WARNER INC. (TW/USPS-T1-1-13)

The United States Postal Service hereby files the response of witness Altaf H. Taufique to the following interrogatories of Time Warner Inc.:

TW/USPS-T1-1-13, filed on March 24, 2004.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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/s/ _____
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April 5, 2004

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-1 Your testimony proposes a two-year experimental classification for certain Periodicals.

- a. At the end of the two-year period, what criteria will be applied to determine whether the experiment was a success?
- b. At the end of the two-year period, what criteria will be applied to determine whether the experiment was a failure?
- c. What subsequent steps, such as modification to the criteria for qualification, passthrough of savings, etc. will the Postal Service propose at the end of the two-year period if the experiment is deemed to be (1) a success or (2) a failure?

RESPONSE:

a,b,c,) The primary purpose of this experiment is to obtain data and mailer feedback on whether the proposed discount levels are sufficient to change the behavior of mailers who are currently entering mail in sacks at the origin postal facility. If the experiment is conducted so that data and feedback are obtained, I would consider the experiment to be a success (even if the discounts generate a different volume response than I have projected). The volume response to the proposed discounts, while important, does not determine whether the experiment is a success or a failure. I don't know at this time how the Postal Service will respond to the results of the experiment. Future steps will be evaluated in the context of the overall rate design for Periodicals.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-2 Please describe the reasoning you employed to select the specific qualification criteria presented in your proposal. Include in your description the empirical data you relied on and all analytical methods used to determine the numerical values of these criteria. Specifically:

- a. Why did you decide to limit eligibility for the experimental incentives to circulations of 75,000 and under, rather than for example 50,000 or 100,000?
- b. Why did you decide to limit eligibility for the experimental incentives to Periodicals with no more than 15% advertising content, rather than for example 10%, or 20%?
- c. Why did you decide to limit eligibility for the experimental incentives to pieces weighing no less than 9 ounces, rather than for example 8 ounces, or 10 ounces?
- d. Why did you decide to limit eligibility for the experimental incentives to mailings with less than 250 pounds to a given ADC, rather than for example any volume that currently is sacked?
- e. Why did you decide to limit the passthrough of postal transportation costs saved to 30%, rather than for example 35%?

RESPONSE:

a & c. As discussed in my testimony, the proposed discounts are intended to provide incentives for small, heavy-weight publications with high editorial content to move their mail from sacks to pallets and dropship at a destination ADC or SCF. The Postal Service was aware that these periodicals were not frequently dropshipped. To achieve more co-palletization and dropshipping, the discount structure has to focus on the actual zone avoidance by editorial pounds. See USPS-T-1 at 6.

However, our goal was a small learning experiment and not a proposal to overhaul Periodicals rates. As such, the Postal Service wanted to limit the experiment to those publications for which the behavior change was most likely (and least likely under the current per-piece co-palletization discounts). We also reviewed certain data (provided in response to ABM/USPS-T1-4), and determined that the 75,000 copy ceiling on circulation and 9 ounce floor on copy weights would allow participation by enough publications to make the experiment worthwhile. Using a 50,000 or 100,000 circulation limit probably would not change the scope of this experiment.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

The balance between attracting enough volume for the experiment, but keeping the experiment small, led us to these broad restrictions for the experiment. We do not believe that a higher circulation ceiling would have attracted significantly more volume, as long as the advertising content limit was maintained. Lowering the copy weight floor, on the other hand, might add substantial volume to the experiment even with the advertising content restriction. The weight limit was kept at 9 ounces in order to keep the experiment small.

b. The original printer and consolidator that we worked with did not think that this advertising limit was too restrictive. Also, when we learned of the all or nothing approach to co-palletization (in which printers, in order to realize the complete operational benefit of palletization, would like to eliminate sacking operations entirely once they begin co-palletization), we are convinced that some publications that are slightly higher in advertising content would still co-palletize, using the current co-palletization discounts. The rules would allow combining, on the same pallets, pieces that are claiming the per-piece discount with pieces that would claim the per-editorial-pound discounts. The choice of a 15 percent advertising limit reflected our balancing of several goals, including supplementing the existing co-palletization discounts, not reducing the Periodicals Outside County cost coverage, and limiting opposition to the proposal because of concern over preserving the flat editorial pound rate.

d. The less than 250 pounds limit of mail to an ADC essentially targets the mail that is currently in sacks. The 250 pound limit makes it easier to verify, using the available documentation, that mail could not otherwise have been palletized.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

e. From our perspective, the 30 percent passthrough is the minimum that we have to provide to get this mail out of sacks, onto pallets, and dropshipped to either the destination ADC or SCF. Given the current cost coverage for Outside County Periodicals, and the current editorial pound rate, we think that this minimum is the most appropriate passthrough.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-3 At page 16 you list three goals that you say motivated the conservative approach chosen by the Postal Service. For each of the three goals, and for each of the hypothetical design changes listed below, please state whether such a modification would (1) jeopardize your ability to achieve the given goal; (2) enhance your ability to achieve the given goal; or (3) not affect the given goal one way or the other. Please explain the reasoning that leads to each answer.

- a. How would it affect your ability to achieve goals 1, 2 and 3 respectively if instead of limiting eligibility to circulations below 75,000 per issue, you were to extend eligibility to circulations below 100,000? Please answer the same question for the case that eligibility were extended to all circulations below 200,000.
- b. How would it affect your ability to achieve goals 1, 2 and 3 respectively if instead of limiting eligibility to pieces weighing over nine ounces, you were to extend eligibility to pieces weighing over eight ounces?
- c. How would it affect your ability to achieve goals 1, 2 and 3 respectively if instead of limiting eligibility to pieces with less than 15% advertising content, you were to extend eligibility to pieces with advertising content less than 20%?
- d. How would it affect your ability to achieve goals 1, 2 and 3 respectively if instead of limiting eligibility to volumes below 250 pounds to a given ADC, you were to extend eligibility to any weight to a given ADC, as long as the volume is currently sacked and entered at origin?
- e. How would it affect your ability to achieve goals 1, 2 and 3 respectively if instead of limiting eligibility to volumes below 250 pounds to a given ADC, you were to extend eligibility to pieces that already are being placed on pallets, as long as those pallets currently are entered at origin?
- f. How would it affect your ability to achieve goals 1, 2 and 3 respectively if instead of requiring co-palletization, you were to also offer 30% of what the Postal Service would save on transportation costs to sacked, high editorial pieces when those sacks are entered at the DADC or DSCF rather than at origin?
- g. How would it affect your ability to achieve goals 1, 2 and 3 respectively if instead of passing through only 30% of the Postal Service's avoided transportation costs, you were to pass through 40 percent?.

RESPONSE:

Here is my discussion of the three goals that form the basis of the conservative approach in to developing the discounts. It has been reproduced (from USPS-T-1, at 16) to keep the response in perspective:

The Postal Service has deliberately chosen a conservative approach in developing these discounts. This approach was motivated by three goals. The first goal is to assure that there is no erosion of the low subclass markup due to this classification change. The second goal is to provide sufficient incentive for high-editorial publications to participate in co-palletization programs. Because of this second goal, I based the discounts

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

on zones skipped. This structure provides a fair and equitable way to provide discounts based on the actual worksharing. The third goal is to ensure that non-participants not only avoid any rate increases, but also receive the benefit of substantial additional cost reductions that may accrue to Periodicals resulting from the proposed discounts.

- a) Increasing the circulation limit would not affect the ability to achieve these goals significantly. As I stated in my response to TW/USPS-T1-2, the purpose of the circulation limit is to keep the experiment focused on small circulation publications. I am not aware of any substantial volume that would meet all the other criteria but would be ineligible only because of the circulation limit. In other words, I do not know of many publications that have 15 percent or less advertising, copy weight of 9 ounces or more, and a circulation greater than 75,000.
- b) Decreasing the weight limit would probably not affect the ability to achieve these goals one way or the other. If the lower limit attracted new co-palletization volume, it would tend to help achieve the goals. But the goals would not be helped if the lower weight limit simply shifted volume from the per-piece discount to the per-editorial-pound discount.
- c) Increasing the maximum advertising percent would probably jeopardize the ability to achieve the first goal through a possible shift from the current co-palletization to the proposed experiment, and by passing on greater discounts without additional worksharing.
- d) This change would probably not affect the goals one way or the other. From our perspective eligibility is extended to pieces that are in sacks. We believe that when density now allows for use of a pallet, sacks are not used especially with a

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

discount available on the pallet. Also, eligibility for the proposed experiment is not based on how the mail was prepared in the past; rather, it is based on whether the density of the mail as it is today allows use of an ADC pallet. If the mail volume for a particular ADC falls short of 250 pounds it can easily be documented and it is safe to assume that this mail would be in sacks absent co-palletization.

- e) I am not sure. Part of the savings from this experimental discount that would benefit non-participants would be from the movement of mail from sacks to pallets. To that extent extending the discount to currently palletized mail would probably jeopardize achieving the third goal. Also, this change would probably add significant complexity to the experiment as mailers would have to provide historical data for all mail to establish that in fact the mail on pallets had not been dropshipped in the past.
- f) The current co-palletization discounts and the ones proposed in this docket are directed toward moving mail out of sacks and onto pallets, and getting the mail entered closer to destination (either at a destination ADC or SCF). This particular scenario probably would jeopardize achieving the first and third goals that motivated the conservative approach for developing discounts, and it would fail to move mail from sacks to pallets.
- g) A 40 percent passthrough would hurt the ability to achieve the first and third goals.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-4 At page 18 you state:

“Given the advertising, circulation, and copy weight limits, we estimate that approximately 20 million pieces per year would be able to take advantage of these experimental discounts, removing over 400,000 sacks from postal operations.”

Please clarify which of the following is the most correct interpretation of the above statement:

- (1) your estimate refers to outside county Periodicals pieces that meet your specified eligibility criteria with regard to advertising, circulation, and copy weight limits;
- (2) your estimate refers to pieces that meet all eligibility criteria and in addition you believe that printers/consolidators, in spite of being rewarded only 30% of what the Postal Service would have spent on transportation and none of what the Postal Service would have spent on transshipping in intermediate facilities, will be able to co-palletize those pieces, transport them to the DADC/DSCF and develop the additional documentation such as before- and after mail.dat files, while earning a reasonable profit for themselves and providing a net reduction in overall mailing costs to their clients; or
- (3) any other interpretation (please explain).

In either case, please explain fully how the estimate of 20 million pieces was derived.

RESPONSE:

I choose option (3). I expect that approximately 20 million pieces would actually use the proposed discounts to co-palletize their mail and dropship to a destination ADC or SCF. Obviously, these pieces would have to meet the criteria put forth in this proposal. So, my estimate includes pieces that are both eligible and willing to participate. Cadmus Communications has approximately 13 million pieces that would qualify. See my response to interrogatory ABM/USPS-T1-4. We believe that Cadmus would work with all its publishers to get 95 percent of those eligible pieces co-palletized and dropshipped using the proposed discounts. We conservatively estimate that about 8 million pieces from other printers would find these discounts attractive for co-palletization and dropshipment. This estimate reflects less than 20 percent of eligible volume for printers other than Cadmus. As I have stated in my response to interrogatory TW/USPS-T1-6, the universe of eligible pieces is 54 million, of which 13 million is from Cadmus.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

As explained in the attached letter from Cadmus Communications, publishers would benefit from co-palletization even if they do not receive a net reduction in overall mailing costs.

April 5, 2004

Honorable Dana B. Covington, Sr
Commissioner
Postal Rate Commission
1333 H Street, NW
Washington DC 20268-0001

Dear Commissioner Covington:

My name is Frank Lynn. I serve Cadmus Communications in the role of Corporate Director of Postal Affairs and Strategic Distribution. Cadmus is the fifth largest printer of Periodicals publications nationally and the largest print supplier to scientific journals market.

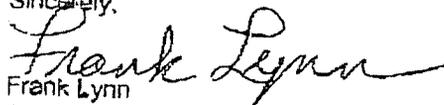
Cadmus wishes to express its support of the Postal Service's request for Experimental Periodicals Co-Palletization Dropship Discounts for High Editorial Publications (Docket No. MC2004-1). Cadmus needs the proposed incentives to enable us to offer co-palletization opportunities to all of our Periodicals customers. Without these incentives, it does not make sense for us to do any co-palletization. The proposed incentives would justify us switching from sacks to pallets for our many low-advertising customers, as well as for our other customers, who would use the existing discounts. It is important in our planning for these changes to learn as soon as possible whether the Postal Rate Commission will recommend the proposed incentives.

We believe that the proposed rates provide just enough additional financial incentive for higher weight and low advertising content publishers to participate in the co-palletization program. Even if publishers receive only limited postage savings, they may take advantage of the following program benefits:

- Expedited in-home deliveries of their ECSI-content (Educational, Cultural, Scientific and Information) publications since the participating copies will be drop-shipped to either SCFs or ADCs.
- Reduced broken bundles and mail piece damage as a result of reduced postal handlings.
- Supplying mail to the Postal Service that can lower their processing costs. Lower mail processing costs offers the greatest opportunity to provide more-stable future Periodicals rates.

Many of our scientific and scholarly publishers are driven by humanitarian motives. They believe that the dissemination of medical and cultural content will aid all readers and countries. They would support initiatives such as these where delivery services can be improved without increasing their postage costs.

Sincerely,



Frank Lynn
Corporate Director of Postal Affairs and
Strategic Distribution



RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-5 Please confirm that your eligibility requirements will apply separately to each mailing. In particular, confirm that if a participating Periodical in a given issue should have slightly more than 75,000 pieces, or slightly more than 15% advertising content, or weigh slightly less than nine ounces per piece, it would not receive the experimental discount for that particular issue. If not confirmed, please clarify.

RESPONSE:

Confirmed. My understanding is that most publications would not be teetering on these limits. Most of the publications that would be eligible for these discounts have no advertising whatsoever and also, circulation is significantly less than 75,000. Also, it is possible for mailers to fall back on the current per-piece discount in those rare cases where this kind of slight change would make the mailing ineligible for the proposed discounts. Again, please keep in mind the balance sought between getting enough volume and keeping the experiment small, as discussed in my response to TW/USPS-T1-2(a).

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-6 What percentage of the potentially qualifying pieces do you expect will actually participate in the proposed experimental program? Please explain the basis for your estimate.

RESPONSE:

I estimate that the annual number of qualifying pieces is in the range of 54 million pieces. Please see my response below to TW/USPS-T1-13. So, I project that approximately 37 percent of the qualifying pieces would actually participate.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-7 Please assume that at the end of the two-year experimental period, a significant portion of the pieces that qualify under the proposed eligibility criteria are being entered on pallets at the DADC or DSCF, even with only the proposed 30% passthrough of savings in postal transportation costs. Please state whether you agree that one then would be justified in drawing each of the conclusions listed below. If you disagree with some of them, please explain.

(1) Relaxing the eligibility criteria would give printers/consolidators more volume to work with and therefore more opportunities to create economic loads to destinating facilities. This would increase participation also among mailings that meet the original eligibility criteria.

(2) Increasing the passthrough of avoided Postal Service transportation costs would likely increase participation even further, by making it worthwhile for printers/consolidators to offer dropshipping to more destinating facilities.

(3) It will have been proven that even the lowest volume, highest editorial content publications can be brought to the destinating facility more economically through co-palletization and pool dropshipping by private contractors than by being entered at origin and traveling through the postal system. As a corollary, the publications the flat editorial pound rate was supposed to protect would in fact be better off with zoned editorial rates, combined with a flat per-pound editorial discount.

RESPONSE:

(1) I do not know enough to agree or disagree. One possible scenario is that relaxing the eligibility criteria would just shift some volume from the current per-piece discounts to the proposed per-editorial pound discounts, without actually increasing co-palletization. See also my response to TW/USPS-T1-2.

(2) Yes. As stated earlier, the purpose of the criteria is to keep the experiment focused on those pieces that are unlikely to use the current co-palletization discounts. But increasing the passthrough risks worsening the contribution for the Periodicals Outside County subclass. Also see my responses to ABM/USPS-T1-25-29.

(3) I disagree. Some publications would not be participating, so I cannot say whether all publications would be better off with zoned editorial rates. Structural change in the editorial pound rate is more fundamental, and is beyond the scope of this limited experiment to gauge the efficacy of the proposed incentives to change mailer behavior.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-8 Please state, for each of the contingencies listed below, whether it was considered by the Postal Service in developing the proposed experimental classification. For contingencies that were considered, please explain how they were considered and what was concluded.

- a. A participating mailer sees that in a given issue he will have 80,000 pieces. In order to maintain his eligibility he either (1) reduces his volume to 75,000 pieces; or (2) puts 5,000 pieces in sacks in a separate mailing.
- b. A participating mailer sees that in a given issue he could have 18% advertising content. In order to maintain eligibility he turns away some sponsors so that his advertising content will drop below 15%.
- c. A participating mailer sees that due to a higher than normal piece weight in a given issue he has more than 250 pounds going to a given ADC area. In order to maintain his eligibility he puts some pieces to that ADC area in sacks which he enters in a separate mailing at origin, so that he will have no more than 250 pounds represented in the co-pallet(s) to that ADC.
- d. A participating mailer sees that for a given issue he has only eight ounces per piece of material that meets his normal criteria for high quality material. But to bring the weight up to nine ounces and maintain his eligibility, he includes extra material that normally would not meet his criteria for high quality content.

RESPONSE:

- a. We did not consider this contingency. We believe that mailers can use either the per-pound or the per-piece discounts for mail in the same co-palletized pool. If it happens that a publication qualified for the proposed co-palletization discounts for a particular issue but in a subsequent issue one of the eligibility conditions changes, then they can still co-palletize and use the current per-piece discount. The postage savings would be less for that particular mailing, but the operational savings for the mailer would still exist. Most importantly, the base of publications likely to participate that we have observed makes this sort of a change highly unlikely for most publications. Circulation is significantly below 75,000 so a minor change from issue to issue would not bring it to the ceiling. Furthermore, because eligibility is based on the total mailed circulation of an issue of a publication, putting 5,000 pieces into a sacked mailing would not make the other

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

75,000 pieces eligible for the per-pound discount. The entire 80,000 mailed copies would be ineligible.

- b. No. I do not believe that the discounts are substantial enough to justify this reaction. Also, advertising content is well below 15 percent for most qualifying publications. A minor change from issue to issue will not cause the publications to become ineligible. See my response to part (a) above.
- c. This behavior would be inconsistent with the requirements for qualification. Also, see my response to part (a) above.
- d. No. I do not believe that the discounts are substantial enough to justify this reaction.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-9 Please describe all data collection efforts and analytical studies performed by the Postal Service since January 2001 that concern the Postal Service's unit costs of handling sacks, pallets and bundles of Periodicals and/or Standard flats, and the impact of container presort level and entry point (DDU, DSCF, DADC, etc.) on such unit costs. Please describe both the methodology used and results obtained from any such studies and indicate whether, and if so how, you took those results into account when preparing your present testimony.

RESPONSE:

Objection filed.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-10 The Excel file in your Exhibit A contains a table that appears to represent the number of pounds going to each zone for 49 magazines.

- a. Please explain how the 49 magazines were selected and the population of Periodicals that they are supposed to be a statistically valid sample of.
- b. How many of the 49 publications have less than 10% advertising content? How many have less than 15%?
- c. How many of the 49 publications weigh more than nine ounces per piece?
- d. How many of the 49 publications have circulation less than 75,000?
- e. How many of the 49 publications are nationally distributed, rather than predominantly local or regional publications?
- f. How many of the 49 publications are currently entered in sacks only and at origin?

RESPONSE:

- a. The 49 magazines were used only to get a reasonable distribution of pounds by zones to compare co-palletization savings of high-editorial and low-editorial publications. They are not and were never described as a statistically valid sample. They were merely meant to reasonably represent the distribution of pounds for the publications that were being targeted for the example discussed in my testimony.
- b. 35 out of 49 have 10 percent or less advertising content. In fact, 32 of the publications have 0 percent advertising content. 47 have 15 percent or less advertising content, and all the publications have 16 percent or less advertising content. See my response to OCA/USPS-T1-7.
- c. All off the publications weigh more than 9 ounces per copy.
- d. My understanding is that all the publications have circulation of less than 75,000.
- e. All of the publications are distributed to all zones.
- f. My understanding is that the data represent only the sacked portion of each magazine. It is also my understanding that regardless of the containerization, all of these publications are origin entered.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-11 Under your proposal, qualifying editorial matter entered at the DSCF or DADC will get a larger discount, thereby paying less overall, if it has been brought from a remote location (e.g., zone 8) than if it has been printed near the destinating facility, requiring only a short haul by the mailer.

- a. Is there any current postal rate element, in any class, that depends on mailer costs incurred before the mail is turned over to the Postal Service? Please list all instances where this occurs.
- b. Is this approach to discount design consistent with the theoretical model approved by the Commission, Efficient Component Pricing (ECP)? If not, what special facts or circumstances justify this departure from ECP?
- c. Does any other known theory of efficient or competitive ratemaking support basing rates on costs the mailer may have incurred to print, make up, or transport the mail to the Postal Service (rather than solely to the Postal Service's costs and the elasticity characteristics of the mail)? If yes, please provide appropriate references.
- d. Do you envision making this characteristic of the proposed rates a permanent feature in the Periodicals class? If yes, do you see it being extended beyond the narrow group of Periodicals defined as eligible in your testimony? If no, how do you envision weaning Periodicals that will have become dependent on the Zone 8 discount in the future?

RESPONSE:

- a. It depends. One could argue that the current co-palletization experiment is similar in that by co-palletizing, previously sacked mail that co-palletizes pays lower rates than an equivalently prepared single publication mailing on a pallet. The larger publication that has enough volume to create a pallet on its own does not qualify of this discount because only the co-palletized mail qualifies for the co-palletization discounts. It is important to remember that this is an experiment to test whether appropriate price signals can change the preparation of often more costly, smaller circulation publications.
- b. The goal of this experimental filing is not to break new ground in pricing theory or depart from generally accepted principles of pricing. The goal is to conduct a limited experiment to gauge the feasibility of using a discount structure to improve mail preparation and entry.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

c. I would disagree with the premise of this question. The proposed discounts in this docket are not based on mailer costs. The discounts are based on cost savings that would accrue to the Postal Service as a result of the behavior change induced by the discounts.

d. We have not decided whether to propose this characteristic in future proposals for permanent classifications. Again, the purpose of the experiment is to test incentives for combining small mailings, making them more efficient to handle. The results of the experiment will help us decide how to proceed. While the rate structure issues will be resolved in the context of the next case, the limited passthrough is no accident and provides sufficient flexibility in the future. I would note that under the scenario postulated by the question, “weaning” customers off of a smaller discount as a result of a limited passthrough is less problematic than the larger passthroughs suggested by previous questions. Moreover, once a publication begins to co-palletize, I would be surprised if it went back to sacks, especially because I do envision the continuation of some discounts, or lower rates, for pallets.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-12 At page 2 you refer to some results from the experimental rates established under MC2003-2. In particular you mention 9 million pieces removed from 180,000 sacks as a result of those rates. Please provide annualized estimates in responding to the following, and explain how data collected from MC2003-2 support those estimates.

- a. How many sacks per year does the Postal Service estimate the MC2003-2 incentives will help remove from the postal system? How many pieces and how many pounds will be moved from those sacks onto pallets?
- b. How many pieces and how many pounds does the Postal Service estimate will be removed from each zone (Zones 1-2 through Zone 8) to DSCF and DADC entry as a result of the MC2003-2 rates?
- c. How many new pallets does the Postal Service estimate will be generated as a result of the MC2003-2 rates?
- d. How many Periodicals, how many printers and how many agents/consolidators are currently participating in the MC2003-2 experiment?

RESPONSE:

a-c. We are providing an updated data collection report through February 2004 for the experimental discounts of Docket No. MC2003-2, in response to ABM/USPS-T1-6.

While we expect that the use of the Docket No. MC2002-3 discounts will still increase substantially, we do not have estimates of the final volumes. Overall volumes were projected in Exhibit B of my testimony from Docket No. MC2002-3. I do not believe that achieving those volumes by the end of the experiment is unrealistic.

d. Please see my response to interrogatory OCA/USPS-T1-3.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T1-13 Please answer the following based on the Postal Service's best available estimates, and indicate what those estimates are based on.

- a. How many outside county Periodicals have less than 10% advertising content?
- b. How many outside county Periodicals have less than 15% advertising content?
- c. How many outside county Periodicals have less than 15% advertising content and circulation no larger than 75,000?
- d. How many outside county Periodicals have less than 15% advertising content and weigh at least 9 ounces per piece?
- e. How many outside county Periodicals have less than 15% advertising content, weigh at least 9 ounces and have circulation no larger than 75,000?
- f. How many of the Outside County Periodicals in your answers to b through e above are published monthly or less frequently?
- g. How many of the Outside County Periodicals in your answers to b through f above have a national, rather than predominantly local or regional, distribution?

RESPONSE:

- a. Based on FY 2002 PERMIT System data, 12,897 Outside County Periodicals with approximately 1,045,467,000 copies have less than 10% advertising content.
- b. Based on FY 2002 PERMIT System data, 14,122 Outside County Periodicals with approximately 1,205,090,000 copies have less than 15% advertising content.
- c. Based on FY 2002 PERMIT System data, about 13,705 Outside County publications with approximately 495,418,000 copies have less than 15% advertising content and circulation no larger than 75,000.
- d. Based on FY 2002 PERMIT System data, 3,640 Outside County Periodicals with approximately 106,994,000 copies have less than 15% advertising content and weigh at least 9 ounces per copy.
- e. Based on FY 2002 PERMIT System data, 3,594 outside county Periodicals with approximately 54 million copies have less than 15% advertising content, weigh at least 9 ounces and have circulation no larger than 75,000.
- f-b. 10,364 publications with approximately 810,922,000 copies.
- f-c. 9,996 publications with approximately 289,305,000 copies.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF TIME WARNER INC.

f-d. 3,167 publications with approximately 86,430,000 copies.

f-e. 3,122 publications with approximately 37,464,000 copies.

g. The split between local/regional and national distribution publications cannot be determined from the available data.

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
April 5, 2004