

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

COMPLAINT OF TIME WARNER INC., ET AL.
CONCERNING PERIODICALS RATES

Docket No. C2004-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS RACHEL TANG TO INTERROGATORIES OF
TIME WARNER INC. ET AL. (TW ET AL./USPS-RT2-13-20)

The United States Postal Service hereby files the response of witness Rachel Tang to the following interrogatories of Time Warner Inc. et al.:
TW ET AL./USPS-RT2-13-20, filed on September 28, 2004.

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

/s/

David H. Rubin
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -6187
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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
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TW et al./USPS-RT2-13 Starting at page 3, your testimony describes a random sample of 55 publications, including 24 small, 20 medium and 11 large publications. In Tables 2, 3 and 4 you compare your estimates of the per-piece postage each publication would pay under the rates proposed by Time Warner et al. in this docket with the rates they pay under the current rate structure.

a. Please confirm that, in order to calculate the per-piece postage that a publication would pay under the proposed rates, one needs, besides the information already provided in your tables, all the information listed below (with the exception that some pieces of information may not be needed for letter-shaped publications). If you believe some of the specified pieces of information are not needed, please specify any other information you would use instead:

- (1) whether the pieces are letter- or flat-shaped;
- (2) whether the pieces are AFSM-100 machinable;
- (3) whether the publication belongs to a preferential subclass and whether it is a Science of Agriculture publication;
- (4) the percentages of pieces that correspond to each combination of bundle presort and auto/non-auto that are defined in the piece rate column of the proposed rate table (Complaint, Exhibit B), specifically carrier route basic, carrier route high density, carrier route saturation, 5-digit auto, 3-digit/SCF auto, ADC auto, MADC auto and 5-digit, 3-digit/SCF, ADC and MADC non-auto.
- (5) the number of bundles, for a given number of pieces, that has each of the container presort/bundle presort combinations identified in the bundle rate column of the proposed rate table;
- (6) the number of sacks, for a given number of pieces, that has each of the container presort/entry point combinations identified in the sack rate column of the proposed rate table;
- (7) the number of pallets, for a given number of pieces, that has each of the container presort/entry point combinations identified in the pallet rate column of the proposed rate table; and
- (8) the percentage of publication pounds that is entered in each of the postal zones identified in the pound rate column of the proposed rate table.

b. If for some of the 55 publications you were not able to obtain all of the information needed, as identified above, for an exact application of the proposed rates, please describe in detail what information you used.

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- c. For each of the 55 publications, please provide the data you used corresponding to each item identified in parts a and b above. Please provide the information electronically in an Excel table, where the publications are identified the same way as in your tables 2, 3 and 4, and all information used for a given publication is entered on the same row.
- d. Please provide, for each of the 55 publications and again in Excel format, the following additional information:
- (1) frequency of publication (issues per year);
 - (2) number of mailed outside-county pieces per issue;
 - (3) whether a mail.dat file was available from which information of the type described above could be extracted;
 - (4) whether it is a requester publication;
 - (5) whether the issue you analyzed participated in a comail program;
 - (6) whether the issue you analyzed participated in a co-palletization program;
 - (7) whether the issue you analyzed participated in a pool dropship program;
 - (8) whether the issue you analyzed benefited from any of the experimental co-palletization dropship discounts established in Docket No. MC-2002-3.
- e. If, in response to POIR No. 2, you expand your sample to beyond 55 publications, please provide the information requested in parts c and d above also for the additional publications.

RESPONSE:

a-b. Confirmed.

In addition to the information listed above in (a)(1)-(4), we used data on the entry point facility ZIP Code and destination ZIP Code of each container in the mailing; the number of pieces receiving the DDU, DSCF, and DADC discounts in the mailing; the containerization of pieces by postal zone, the length, width and thickness of pieces; and the number and presort level of the "parent pallets" and "child sacks". (A "parent pallet" is a pallet containing sacks, "child sacks" are sacks residing on a parent container.)

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c.-e. With the exception of the information requested in (d)(5)-(8), I expect the requested information to be provided in USPS-LR-1/C2004-1. I understand that a motion to establish protective conditions regarding that material is pending.

To my knowledge the Postal Service does not maintain a database of publications participating in co-mail, co-palletization, pool dropship or any programs established in Docket No MC-2002-3. One field, "Co-mail evidence", is included on the "Summary" sheet of USPS-LR-1/C2004-1 to provide an imperfect measure of a publication's participation in co-mailing or co-palletization. The value of this field is "Yes" if the publication was associated with at least one mail.dat file that contained multiple publications.

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TW et al./USPS-RT2-14

- a. Please confirm that flats machinability cannot be determined from mail.dat files.
- b. Please confirm that flats machinability cannot be determined from Periodicals mailing statements (form 3541).
- c. Please explain how you determined, for each of the 55 publications you sampled, whether or not to assume machinability for the purpose of estimating the impact of the proposed rates.

RESPONSE:

a-c. Not confirmed. The 02-2 version of the mail.dat files contains a field (position 129 of the MPU table) for AFSM100 compatibility. To determine piece machinability this field is used when available. In instances where this field was blank or the file was not version 02-2, the length, width and thickness in the MPU table were used to determine if any of the listed dimensions would result in the piece not being AFSM100 compatible. For observations obtained through qualification reports, the acceptance clerks were asked to determine machinability of the piece. When we lacked information that would explicitly allow us to determine machinability we assumed that the pieces were AFSM100 compatible.

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TW et al./USPS-RT2-15

- a. Please confirm that whether or not a Periodicals sack or pallet is entered at the destinating BMC (DBMC) cannot be determined from mail.dat files. If not confirmed, please explain how you would make such a determination.
- b. Please explain how you determined, for each of the 55 publications you sampled, the number of sacks and pallets, at different presort levels, that are entered at the DBMC. If such determination could not be made, please explain what assumptions were used.

RESPONSE:

- a-b. Not confirmed.

The mail.dat CSM file contains fields that indicate the ZIP Code of the facility where each container is entered. The entry point facility ZIP Code and destination ZIP Code of each container were used, in conjunction with the piece entry discount information and DMM labeling lists, to determine the appropriate entry point facility type for each container. For “child sacks”, the destination ZIP Code of the “parent pallet” was assumed as the entry point ZIP Code of the “child sacks” for purposes of assigning the entry point for these sacks. For example sacks on BMC pallets are treated as DBMC entered sacks. This was necessary because, to my knowledge, the proposed rate structure did not explicitly deal with this type of preparation and I assumed that assigning “child sacks” the entry point of the parent containers would lead to charging “child sacks” for sack sorting costs that they did not incur.

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TW et al./USPS-RT2-16 Please explain how you went about determining the postage under proposed rates for each sampled publication for which mail.dat files were available. Please include a specification of the type(s) of computer software used.

RESPONSE:

A Matlab program was developed to link the MPU, CSM, PQT, and CQT tables and aggregate the information in the mail.dat. This program generates a table of package characteristics and a table of container characteristics that are used in the analysis of the proposed rates. The package table produced summarizes the number of bundles, barcoded pieces, and non-barcoded pieces by container type (sack, pallet, tray, tub), container level (by mail.dat CSM container level definitions), container entry facility type (OAO, OSCF, OADC, OBMC, DBMC, DADC, DSCF, DDU), parent container entry facility, parent container type, parent container level, and bundle level (mail.dat PQT package level definitions). The container table aggregates the number of containers by container type (sack, pallet, tray, tub), container level (by mail.dat CSM container level definitions), container entry facility type (OAO, OSCF, OADC, OBMC, DBMC, DADC, DSCF, DDU), parent container entry facility, parent container type, and parent container level. FORTRAN programs are then used to aggregate these tables into the fields needed to evaluate the rates and to extract needed 3541 postage statement information from the CQT, CSM and MPU tables. The postage calculation is conducted using Excel. The Excel workbook used will be provided in USPS-LR-1/C2004-1.

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TW et al./USPS-RT2-17

- a. Please explain how you went about determining the postage under proposed rates for each sampled publication for which mail.dat files were not available, such as very small publications. Please include an explanation of all assumptions used, whether and to what extent physical observations of actual mailings were used and how each data element, needed to determine impact of the proposed rates but not available on mailing statements, was calculated.
- b. Tables 2 and 3 indicate several publications with editorial content either equal to 100% or close to 100%. If for any of these you did not have access to a mail.dat file, how did you determine the zone distribution?

RESPONSE:

- a. For small publications, the acceptance offices of the selected publications were contacted and asked to supply qualification reports and mailing statements for the selected publications. Publications that did not produce qualification reports were excluded from the sample, as we did not have sufficient time to develop manual data entry forms. In all cases, the documentation received conformed to the documentation standards outlined in DMM P012. The qualification reports were entered into Excel tables and container, bundle and pieces counts were aggregated by the necessary values needed to conduct rate comparisons. For this analysis it was generally assumed that each group destination listed in the qualification represented one bundle. An exception to this rule was used for group destinations in ADC and MADC containers where the listed group destinations all contained fewer than 6 pieces. These pieces were aggregated into one bundle and assigned the bundle presort level consistent with the sack presort level, that is, ADC for ADC sacks and MADC for MADC sacks.
- b. The postage statements of sampled publications with 100% editorial content provided information on the number of copies by postal zone and the weight of each copy. This information was used to calculate the weight for each zone.

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TW et al./USPS-RT2-18 Please refer to Table 5 in your testimony, which breaks down the numbers of Periodicals titles and Periodicals annual pieces according to your grouping of “large,” “medium,” and “small.” Total piece volume is shown as 9,330,984,097, including 1,415,511,644 in the “small” group. A footnote says that “all publications with only within-county volume are excluded.”

- a. Please confirm that according to the FY03 RPW data, there were 9.320 billion Periodicals pieces, including 794 million in-county pieces, in FY03.
- b. Please confirm that according to the FY02 RPW data, there were 9.690 billion Periodicals pieces, including 850 million in-county pieces, in FY02.
- c. To which fiscal year do the volume numbers in your Table 5 refer?
- d. Roughly what portion of the in-county mail volume belongs to Periodicals that mail only within the county?
- e. Roughly what portion of the outside county mail volume belongs to Periodicals that also use in-county rates?
- f. Of the 1,415 million pieces that you indicate belong to “small” publications, what if any portion is actually in-county pieces?
- g. Of the 1,415 million pieces that you indicate belong to “small” publications, how many are in the outside county portion of in-county Periodicals?
- h. Please identify, by their designation in your tables 2, 3 and 4, any publications among the 55 sampled that have an in-county component, and confirm that your analysis was applied only to the outside county component.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. The data provided in Table 5 were derived from the FY 2003 PERMIT system database. The FY 2003 PERMIT system data used included the transitional period between the end of the FY 2003 AP reporting and the beginning of the FY 2004 monthly reporting. These numbers were developed only to provide the relative magnitudes of large, medium and small publications and were not intended to be a measure of FY 2003 volume.

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d. I cannot provide an accurate measure of the proportion of Inside-County mail volume that belongs to Periodicals that mail only within the county because doing so would require the detailed 3541 postage statement data available in the PERMIT system and the PERMIT system only covers 68.34 percent of the Inside-County mail revenue. However for the FY 2003 PERMIT database described above, there were 512.4 million Inside-County pieces and of this volume 8.0 million pieces were submitted by publication/entry office combinations that had no volume paid at Outside-County rates.

e. In the FY 2003 PERMIT system database used for this analysis there were 8,947.3 million Outside-County pieces of which 502.4 million were submitted by publication/entry offices combinations that had nonzero volume paid at Inside-County rates.

f. 27.0 percent.

g. 296,663,772.

Observations S3, S11, S12, S13, S18, S19, S20, S21, S23, and S24 were submitted in mailings that had an Inside-County component. The analysis was applied only to the Outside-County portion of the mailing. When a container (bundle) contained both Inside-county and Outside-County pieces, the container (bundle) was excluded. In one instance a mailing contained only two sacks and each contained both Inside-County and Outside-County mail. For this observation the container counts represent the proportion of Outside-County mail in the two sacks.

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TW et al./USPS-RT2-19 During the analysis of 55 randomly sampled publications that you describe in your testimony, was any attempt made to identify realistic ways in which a publication might modify its mailing practices, e.g., by reduced use of “skin sacks,” so as to reduce the postage it would pay under the proposed rates? If any such analysis was done, please explain how it was done and describe all findings.

RESPONSE:

No.

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TW et al./USPS-RT2-20 During the analysis of 55 randomly sampled publications that you describe in your testimony, did you in each case focus the analysis only on a single mailing file, or did you also analyze supplemental mailings? Please explain fully.

RESPONSE:

For publications where data were collected via qualification report, we focused exclusively on a single mailing. For publications where mail.dat files were obtained through PostalOne! we used all available mailings associated with the selected publication that had been submitted through PostalOne! between June 2003 and May 2004. This time period was used because the data for this period had been compiled and were available for our use.