

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
L. PAUL LOETSCHER (USPS-T-28) TO INTERROGATORIES OF
TIME WARNER, INC. (TW/USPS-T28-1-11)
(June 1, 2006)

The United States Postal Service hereby provides the responses of witness Loetscher (USPS-T-28) to the following interrogatories of Time Warner, Inc., filed on May 18, 2006:

TW/USPS-T-28-1-11

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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TW/USPS-T28-1 Please refer to the Periodicals data collection effort described in LR-L-91, which you sponsor. You describe this data collection as including (1) a national survey of publications with circulation size less than 15,000 pieces and (2) a collection of mail.dat files from the PostalOne electronic verification system.

- a. Please confirm that the national survey of small publications is the same as the one that you described in LR-K-91 and your testimony in Docket No. R2005-1. If they are not the same, please explain all differences.
- b. Are the mail.dat files you refer to the same as the ones you referred to collecting in LR-K-91? If no, please explain whether they were (1) added to the ones you had collected earlier; or (2) used to replace the older set of mail.dat files.
- c. Please refer to Tables 1 and 2 in LR-L-91. There appear to be inconsistencies between some of the rows in the two tables. For example, Stratum 30, defined as over 300K circulation, high density, low dropship and high palletization, is shown in Table 1 as including 580 publications, versus only 44 in Table 2. Similarly, the highest stratum volume, of 4,565,897,017, appears in stratum 27 in Table 1 but in stratum 28 in Table 2. Please provide correct and consistent versions of the two tables.
- d. Do the volumes shown for the different strata in Tables 1 and 2 of LR-L-91 represent flat shaped pieces only or do they represent all Periodicals outside county pieces? Do the publication counts represent all outside county Periodicals or only those that are flats shaped?
- e. What year do the volumes in Tables 1&2 represent?

RESPONSE:

- a) Confirmed.
- b) No. The Mail.dat files used in LR-L-91 were collected through the PostalOne electronic verification system between October 2004 and September 2005. These replaced the older files used in LR-L-91.
- c) Errata will be filed with corrected tables.
- d-e) The volumes in Tables 1 and 2 are FY 2005 Outside County volumes as

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reported on 3541 postage statements and recorded in PostalOne. These volumes include all shapes but exclude volumes for publications for which no issue frequency information was available and publications entering mail at facilities that are not on the PostalOne system.

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TW/USPS-T28-2 Please refer to Table 3 in LR-L-91.

- a. Please confirm that the piece volumes shown in that table represent flat shaped mail only. If not, please explain.
- b. The table identifies all volumes as either AFSM-100 or UFSM-1000 machinable. Please state whether this represents:
 - (1) an assumption on your or the Postal Service's part that all flats are UFSM1000 machinable if they are not AFSM-100 machinable;
 - (2) that flats which are not UFSM-100 machinable have not been counted; or
 - (3) any other (please explain fully).
- c. Did your data collection include counts of outside county letter shaped and other non-flat pieces? If no, why not? If yes, please provide counts of (1) letters and (2) other non-flat outside county pieces corresponding to the flats volumes in Table 3, and broken down by rate category, bundle and container presort level, container type and automation compatibility.

RESPONSE:

- a) Confirmed.
- b) In the preparation of Table 3 it was assumed that all pieces that are not AFSM 100 compatible were UFSM 1000 compatible.
- c) Information was collected for letter shaped Outside County Periodicals. The letter estimates are provided in Table 1 in the Excel workbook accompanying this response. Parcel shaped Outside County Periodicals were excluded because the parcel volume (0.4 percent) did not warrant the expense of a targeted data collection effort.

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TW/USPS-T28-3 Please refer to the 30 strata of publications in Tables 1 and 2 of LR-L-91. For each stratum, please provide the following additional information.

- a. How many of the total number of publications indicated in each stratum are, respectively:
 - (1) Science of Agriculture publications;
 - (2) Regular rate and not Science of Agriculture;
 - (3) Nonprofit; and
 - (4) Classroom publications?

- b. What portion of the total volume indicated in each stratum is from, respectively:
 - (1) Science of Agriculture publications;
 - (2) Regular rate and not Science of Agriculture;
 - (3) Nonprofit; and
 - (4) Classroom publications?

- c. Of the total number of publications indicated in each stratum, how many also mail at in-county rates?

- d. How many of the publications indicated in each stratum are, respectively:
 - (1) daily publications
 - (2) weekly
 - (3) biweekly
 - (4) monthly or less frequent?

- e. What portion of the total volume indicated in each stratum is from, respectively:
 - (1) daily publications
 - (2) weekly
 - (3) biweekly
 - (4) monthly or less frequent?

- f. How many of the publications indicated in each stratum are, respectively:
 - (1) letter shaped
 - (2) flats shaped
 - (3) neither letter nor flats shaped?

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- g. What portion of the total volume indicated in each stratum is, respectively:
- (1) letter shaped
 - (2) flats shaped
 - (3) neither letter nor flats shaped?

RESPONSE:

- a) Please see Table 2 in the Excel workbook accompanying this response. Publications are mapped to subclass based on the subclass where they report the majority of pieces. The number of strata in Table 2 has been expanded to 36 with the 1 to 5000 piece strata divided between 1 – 1000 piece strata and 1000 - 5000 piece strata in response to the information sought in TW/USPS-T-28-11.
- b) Please see Table 3 in the Excel workbook accompanying this response. The number of strata in Table 3 has been expanded to 36 with the 1 to 5000 piece strata divided between 1 – 1000 piece strata and 1000 - 5000 piece strata in response to the information sought in TW/USPS-T-28-11.
- c) Please see Table 4 in the Excel workbook accompanying this response. The number of strata in Table 4 has been expanded to 36 with the 1 to 5000 piece strata divided between 1 – 1000 piece strata and 1000 - 5000 piece strata in response to the information sought in TW/USPS-T-28-11.
- d) Please see Table 5 in the Excel workbook accompanying this response. The number of strata in Table 5 has been expanded to 36 with the 1 to

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5000 piece strata divided between 1 – 1000 piece strata and 1000 - 5000 piece strata in response to the information sought in TW/USPS-T-28-11.

- e) Please see Table 6 in the Excel workbook accompanying this response. The number of strata in Table 6 has been expanded to 36 with the 1 to 5000 piece strata divided between 1 – 1000 piece strata and 1000 - 5000 piece strata in response to the information sought in TW/USPS-T-28-11.
- f) Please see Table 7 in the Excel workbook accompanying this response. Publications are mapped to shape based on the shape of the majority of pieces. The number of strata in Table 7 has been expanded to 36 with the 1 to 5000 piece strata divided between 1 – 1000 piece strata and 1000 - 5000 piece strata in response to the information sought in TW/USPS-T-28-11.
- g) Please see Table 8 in the Excel workbook accompanying this response. The number of strata in Table 8 has been expanded to 36 with the 1 to 5000 piece strata divided between 1 – 1000 piece strata and 1000 - 5000 piece strata in response to the information sought in TW/USPS-T-28-11.

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TW/USPS-T28-4

- a. Please confirm that the Periodicals mail characteristics data in Table 3 of LR-L-91 were established by first developing the corresponding information for each of the 30 strata described in Tables 1 and 2. Please explain if not confirmed.
- b. Please explain how you aggregated the stratum data to national estimates and how you adjusted the results to match known billing determinant data.
- c. Did you adjust the mail characteristics data in each stratum to match the billing determinant data in that stratum before aggregating to the total data in Table 3?
- d. Please provide, in spreadsheet form, the mail characteristics data corresponding to Table 3, for each individual stratum.

RESPONSE:

- a) Confirmed subject to the availability of observations in a stratum. If no observations were available in stratum the stratum volume was distributed as described in parts b-c of this response.
- b-c) Sample pieces were first aggregated by shape, stratum, presort rate category and piece attribute. Piece attribute includes machinability, bundle presort level, container type, container presort level, container entry facility type, parent container status (on parent container or not), parent container type, parent container presort level, and parent container entry facility type. Then the PostalOne mailing statement volumes for strata with no sample observations were distributed to nearest populated strata with similar density, entry and palletization characteristics, i.e. 19 to 13, 29 to 23, 27 to 21 and 25 to 13. Then by shape, stratum and presort rate

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category the distribution across piece attribute was controlled to PostalOne mailing statement volume.

The PostalOne mailing statement data is not a complete census of Outside County Periodicals and not all publications could be mapped to one of the 30 strata. For this reason, the difference between PostalOne mailing statement data and the RPW by Shape data (USPS-LR-L-87) was distributed to strata proportional to the PostalOne mailing statement volume in each stratum by presort rate category.

The final control was conducted at the national level. This control distributed the roughly 25 million flats that arrive in non-standard containers (trays, tubs, loose bundles etc.) to sacks and pallets by removing this volume then controlling the remaining volume to RPW by Shape volume. This step was undertaken so as not to force the mail processing cost models to be unnecessary complex.

- d) Please see Table 9 in the Excel workbook accompanying this response.

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TW/USPS-T28-5 For each of the 30 strata of publications in Tables 1 and 2 in LR-L-91, please provide the following in a spreadsheet format:

- a. What is the annual number of (1) advertising pounds and (2) editorial pounds corresponding to the total piece volume indicated for the given stratum?
- b. What percent of the advertising pounds in the given stratum is entered in each postal zone?
- c. Please assume that for any given publication, the editorial pounds have the same zone distribution as the advertising pounds. Based on that assumption, please provide an estimate of the percent distribution of editorial pounds in each stratum by the postal zones in which they are entered.

RESPONSE:

- a-c) Please see Tables 10 and Table 11 in the Excel workbook accompanying this response. The number of strata in Table 8 has been expanded to 36 with the 1 to 5000 piece strata divided between 1 – 1000 piece strata and 1000 - 5000 piece strata in response to the information sought in TW/USPS-T-28-11.

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TW/USPS-T28-6 For each of the 30 strata of publications in Tables 1 and 2 in LR-L-91, please provide, in a spreadsheet format, the percentages of the outside county addressed pieces in the given stratum that qualify, under current rates, for each of the following discounts:

- (1) the editorial piece discount
- (2) the per-piece DDU dropship discount
- (3) the per-piece DSCF dropship discount
- (4) the per-piece DADC dropship discount
- (5) the per-piece pallet discount
- (6) the per-piece pallet dropship discount.

RESPONSE:

Please see Table 12 in the Excel workbook accompanying this response. The number of strata in Table 8 has been expanded to 36 with the 1 to 5000 piece strata divided between 1 – 1000 piece strata and 1000 - 5000 piece strata in response to the information sought in TW/USPS-T-28-11.

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TW/USPS-T28-7 For each of the 30 strata of publications in Tables 1 and 2 in LR-L-91, please provide, in a spreadsheet format, annualized estimates of the number of pallets used by outside county periodicals. Please break down the pallet count in each stratum by (1) pallet presort level and (2) type of entry point.

For presort level, please use the categories applicable to pallets that are specified for the “container level” parameter in Container Summary Records under the mail.dat specifications that applied. For type of entry point, please use the applicable (to Periodicals with domestic destination) categories specified under the “Entry Point for Entry Discount – Facility Type” parameter in the specifications for Container Summary Records.

RESPONSE:

Please see Table 13 in the Excel workbook accompanying this response. In the course of the study we determined that the “Entry Point for Entry Discount – Facility Type” was not universally used or accurate. We relied on the combination of this field, the entry discounts given in the container quantity record, origin ZIP, destination ZIP, and parent container level to determine the facility type that would first handle each container.

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TW/USPS-T28-8 For each of the 30 strata of publications in Tables 1 and 2 in LR-L-91, please provide, in a spreadsheet format, annualized estimates of the number of sacks used by outside county periodicals. Please break down the sack count by (1) sack presort level and (2) type of entry point.

For presort level, please use the categories applicable to sacks that are specified for the “container level” parameter in Container Summary Records under the mail.dat specifications that applied. For type of entry point, please use the applicable (to Periodicals with domestic destination) categories specified under the “Entry Point for Entry Discount – Facility Type” parameter in the specifications for Container Summary Records.

RESPONSE:

Please see Table 13 in the Excel workbook accompanying this response. In the course of the study we determined that the “Entry Point for Entry Discount – Facility Type” was not universally used or accurate. We relied on the combination of this field, the entry discounts given in the container quantity record, origin ZIP, destination ZIP, and parent container level to determine the facility type that would first handle each container.

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TW/USPS-T28-9 For each of the 30 strata of publications in Tables 1 and 2 in LR-L-91, please provide, in a spreadsheet format, annualized estimates of the number of outside county Periodicals bundles in the given stratum. Please break down the bundle counts by: (1) bundle presort level; (2) container type (e.g., sack or pallet); and (3) presort level of the container in which the bundle is entered into the postal system.

For bundle presort level, please use the applicable categories specified for the “package level” parameter in Package Quantity Records under the mail.dat specifications that applied. For container presort level, please use the categories indicated in the preceding two interrogatories.

RESPONSE:

Please see Table 14 in the Excel workbook accompanying this response.

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TW/USPS-T28-10 If you believe that the number and characteristics of sacks in the test year will be significantly different from what it was when you performed the LR-L-91 data collection, due to imposition of the 24-piece sack minimum and other factors, then please provide, either in the aggregate or per stratum or both, alternative estimates of sacks by sack presort level and type of entry point for the test year, in a format similar to that used in responding to TW/USPS-T28-8.

RESPONSE:

Publications have many options regarding how to respond to .the imposition of the 24-piece sack minimum such as seeking co-palletization or simply moving to lower presorted sacks. The configuration, number of sacks and entry after the rule change will depend on many variables that I simply do not know. I have no solid information that would allow me to improve upon witness Tang's estimate of reduction of sacks.

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TW/USPS-T28-11 Please refer to the six Periodicals strata in Tables 1 and 2 of LR-L-91 that correspond to publications with circulation below 5,000. Please define substrata of these corresponding to publications with circulation under 1000, provide volumes and counts for each of those substrata similar to the strata information in Tables 1&2, and provide information on each substratum corresponding to that provided in the responses to TW/USPS-T28-3 through 9.

RESPONSE:

Please see Tables 15 - 17 in the Excel workbook accompanying this response and Tables 2 – 8 and 10 – 12 where I have included separate tabulations of the 0-1000 strata. Please note that the inclusion of an additional 6 stratum will result in slightly different estimates in Tables 15 – 17 due to the final control process and the distribution of mail in non-standard containers.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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