

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC.
(MPA/USPS-T35—1-2(a-d, f))

The United States Postal Service hereby files the responses of Witness Tang to the above listed interrogatories, filed on May 25, 2006. Interrogatory MPA/USPS-T35-2(e) has been redirected to the Postal Service.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSE OF POSTAL SERVICE WITNESS TANG
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MPA/USPS-T35-1 Please refer to Section IV.A. of your testimony, which discusses the container fee.

- a. Please confirm that mailers may be allowed to enter Periodicals and Standard Mail in the same containers in the Test Year. If not confirmed, please explain fully.
- b. Assume that a pallet contains 100 pieces of Periodicals Outside County mail pieces and 1000 pieces of Standard Mail. What will the Periodicals Outside County container charge be for this container? Please explain fully.
- c. Assume that a pallet contains 1000 pieces of Periodicals Outside County mail pieces and 100 pieces of Standard Mail. What will the Periodicals Outside County container charge be for this container? Please explain fully.
- d. Assume that a pallet contains co-palletized Periodicals Outside County pieces from multiple publications. How does the Postal Service plan to allocate the container charge to the individual publications on the pallet for postage payment purposes?
- e. Assume that a pallet contains co-mail Periodicals Outside County pieces from multiple publications. How does the Postal Service plan to allocate the container charge to the individual publications on the pallet for postage payment purposes?
- f. How will the container charge be applied to “unsacked” Periodicals Outside County bundles that are not containerized? Please explain fully.
- g. How will the container charge be applied to Periodicals Outside County pieces entered in trays? Please explain fully.
- h. Please produce source documents, or provide citations to source documents, sufficient to verify your answers to the previous parts of this question.

RESPONSE:

- a. Confirmed.
- b. The proposed Periodicals Outside County container rate of 85 cents will be applied to this container. Any pallet that contains Periodicals mail is subject to the container charge.

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- c. Please see my response to part b.
- d. There are two options: The container rate can be claimed on the postage statement of one of the publications; or a separate form can be submitted to pay the container rate for the entire mailing.
- e. Please see my response to part d.
- f. The vast majority of Periodicals mail is in sacks or on pallets. Nevertheless, the container rate is an integral part of Periodicals pricing and all Outside County mailings will be subject to it, including those that are not in sacks or on pallets. We are currently reviewing the other possible containerization methods and how the 85-cent container rate will apply.
- g. Please see my response to part f.
- h. My answers to these questions are based on my understanding of how the container rate will be implemented. They reflect the organizational position regarding the container rate.

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MPA/USPS-T35-2 Please refer to the discussion of Ride-Along Pieces on page 14 of your testimony and USPS-LR-L-126, R2006-1 Outside County. xls, worksheet 'Pound Data_Adv.'

- a. Please confirm that under the proposed rates the average revenue per advertising pound is 28.2 cents. If not confirmed, please provide the correct figure.
- b. Do you have any reason to believe that the zone distribution of Ride-Along pieces is different than the zone distribution of Periodicals Outside County advertising pounds? If so, please explain your response fully and provide the zone distribution of Ride-Along pieces.
- c. What is the average weight of a Ride-Along piece?
- d. Please confirm that substituting the average revenue per advertising pound for the Zone 8 advertising pound rate in the formula discussed on Page 14 of your testimony yields a rate of 5.8 cents. If not confirmed, what rate would result from substituting the average revenue per advertising pound into this formula?
- e. Please provide your best estimate of the average cost per piece of a 3.3 ounce Ride Along piece with the same zone distribution as Periodicals Outside County advertising pounds. Please explain your methodology fully.
- f. Please produce source documents, or provide citations to source documents, sufficient to verify your answers to parts (a)-(c), (e), and (f) of this question.

RESPONSE:

As background, it may be helpful to review the history of the ride-along rate. In

Docket No. MC2000-1, Witness Taufique (USPS-T-1) stated that:

Currently, Periodicals mailers face restrictions both on the amount and type of advertising that can be included either within the publication, or as a supplement. For example, commercially available products such as cosmetics and perfumes are prohibited from being mailed at Periodicals rates. So are contents which are not comprised of printed sheets such as cloth, leather, and other non-paper material. All advertising matter or other enclosures or attachments that do not meet the requirements for mailing at Periodicals rates can be attached to the publication or included as enclosures, but pay a separate Standard (A) rate ... [which is] prohibitively expensive ... (Page 2, line 3 – 17)

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The experimental "Ride-Along" classification change for Periodicals is expected to provide a cost-effective method to mail what are now Standard (A) supplements, including very small product samples, to targeted markets. (Page 4, line 2 – 4)

A Ride-Along piece has never been, and should not be, treated as an element of average Periodicals advertising pounds. The Ride-Along rate was developed to respond to customer demand, and provide a new, effective, and affordable advertising medium to Periodicals mailers. Its rate is considerably cheaper than alternatives for mailing advertising materials (product samples, small catalogs etc.) that were used by publishers prior to the introduction of Ride-Along rates, such as Standard Mail enclosures and attachments. The Ride-Along weight is not included in the calculation of advertising pounds. The Ride-Along revenue is included in the total Periodicals revenue, which improves the class contribution.

The methodology I used to develop the proposed Ride-Along per-piece rate (see page 14 in my testimony) is consistent with the original approach described on page 5 of witness Taufique's testimony in Docket No. MC2000-1.

- a. Confirmed.
- b. The FY 2005 PostalOne Mailing Statement data indicate the following zone distribution for Ride-Along pieces. (The data exclude Ride-Along pieces whose host piece does not have any advertising content, because of the lack of zone data for the host piece.) Compared to the zone distribution for Periodicals Outside County advertising pounds, higher proportions tend to be found in zones 3 to 8.

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Periodicals Outside County Zone Distribution of Ride-Along Pieces Source: PostalOne Mailing Statement Data FY 2005		
DDU	519,323	0.31%
DSCF	76,086,523	45.16%
DADC	20,065,226	11.91%
Zones 1 & 2	12,068,225	7.16%
Zone 3	8,435,469	5.01%
Zone 4	15,031,654	8.92%
Zone 5	17,114,610	10.16%
Zone 6	8,085,034	4.80%
Zone 7	5,302,564	3.15%
Zone 8	5,761,081	3.42%
Total	168,469,709	100.00%

- c. According to the FY 2005 PostalOne Mailing Statement data, the average weight of a Ride-Along piece is 1.45 ounces.
- d. I can confirm that the mathematical calculation gives a result of 5.8 cents, when rounded to one digit after the decimal point. But this result is unrelated to the Ride-Along rate.
- e. Redirected to the Postal Service.
- f. Sources are provided in the relevant responses.