

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

**POSTAL RATE AND FEE CHANGES**

**Docket No. R2006-1**

**Major Mailers Association's  
First Set Of Interrogatories and Document Production Requests To  
United States Postal Service Witness Altaf H. Taufique (MMA/USPS-T32-1-7)  
(June 28, 2006)**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association submits the following interrogatories and document production requests to United States Postal Service Witness Altaf H. Taufique (MMA/USPS-T28-1-7).

Respectfully submitted,

**Major Mailers Association**

By: \_\_\_\_\_

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**Dated: Middleburg, Virginia  
June 28, 2006**

### **MMA/USPS-T32-1**

Please refer to page 8 of your direct testimony where you discuss the proposed additional ounce rates for First Class letters and flats.

- A. Please explain why you propose different additional ounce rates for automation letters (15.5 cents) and single piece letters (20 cents) but propose the same additional ounce rate (20 cents) for both automation and single piece flats.
- B. Did you base your specific additional ounce rate proposals on any considerations, such as, for example, special studies or economic pricing principles, other than “the revenue requirements, pricing criteria, and special circumstances surrounding each rate request?” If yes, please identify such other considerations and explain how each affected your recommendations. If no, please explain why not. Please provide all documents you reviewed in formulating your positions on additional ounce rates.
- C. Please explain your position regarding the relationship between your proposed additional ounce rates and the costs for processing additional ounces for (1) single piece letters, (2) automation letters, (3) single piece flats and (4) automation flats.

### **MMA/USPS-T32-2**

On pages 15 and 16 of your direct testimony you discuss the Postal Service’s decision to take a fresh new look at the manner in which First-Class workshare letter rates are determined. You have proposed to de-link the costs and rates for presort letters from those of single piece letters. As part of your discussion you have proposed a new objective insofar as achieving an appropriate rate design for workshare letters: to obtain similar (but not necessarily equal) unit contributions to institutional costs from an average single piece and an average presort mail piece.

- A. Does the preamble to this interrogatory correctly state your position as to the reasoning and justification for your proposed rates for First Class presort mail? If not, please explain.
- B. Please explain how you decided upon this goal of equal unit contributions to institutional costs for single piece and presort mail.
- C. When you decided to adopt this new rate design goal, did you analyze any historical data to see whether, and the extent to which, such a goal has been met in the past? If so, please provide that data. If not, why not?
- D. Please explain the logic behind the goal of equal unit contributions to institutional costs for single piece and presort mail, in the aggregate.
- E. Is this goal something that the Postal Service would strive to achieve in future rate cases?

**MMA/USPS-T32-3**

Please refer to Question 2 of Presiding Officer's Information Request No. 5, issued June 14, 2006, page 15 of your direct testimony where you state "the Postal Service proposes that the rates for Single-Piece Letters and for Presort Letters be developed independently of each other," and page 16 of your direct testimony where you state "[a]ll of the rates for workshared First-Class Mail would be developed by reference to the CRA rollforward costs for Presort Letters, after establishing a required revenue for Presort Letters such that the unit contribution target is met."

- A. Do you agree that, since MC95-1, in which the Postal Service proposed that First-Class Workshare be classified as a separate subclass, technological advancements have changed significantly both the manner in which First Class workshared mail is prepared by the mailers and the manner in which such workshared mail is processed by the Postal Service? Please explain your answer.
- B. Do you agree that, since MC95-1, the demand characteristics for First-Class workshared mail have changed significantly due in part to increased use of the Internet as a viable, less expensive substitute for many paper

transactions, including but not limited to invoice presentation, payment remittance, and delivery of financial statements? Please explain your answer.

#### **MMA/USPS-T32-4**

On page 19 of your direct testimony, you state that, in order to qualify for First-Class single piece letter rates, a letter-shaped piece of mail must weigh 3.5 ounces or less.

- A. If a letter-shaped piece of First-Class mail weighs 4.0 ounces, will it pay the flat rate or the parcel rate? Please explain your answer.
- B. Please explain precisely how the Postal Service determined that the cut-off weight for single piece letters should be 3.5 ounces and provide any studies or other documents relating to that determination.
- C. Did the Postal Service consider increasing the maximum weight for First-Class workshared letters from 3.3 ounces to 3.5 ounces? If not, why not? If so, please explain why the maximum weight for First-Class Single Piece letters should be 3.5 ounces but only 3.3 ounces for First-Class workshare letters.
- D. Please confirm that on average, First-Class single piece letters require more processing on Postal Service automated equipment than do workshared letters. If you cannot confirm, please explain.

#### **MMA/USPS-T32-5**

Please refer to the table shown on pages 29 and 30 of your direct testimony. There you show the unit costs to process automation letters and derive the percent pass-throughs for the rates you propose. Please explain why you didn't include delivery cost differences that the Postal Service has shown to exist in the past among the various presort levels. See, for example, R2005-1 Library Reference USPS-LR-K-67 sponsored by USPS witness Kelley.

### **MMA/USPS-T32-6**

On page 30 of your direct testimony, you describe the general means by which you determined the specific rates for First Class presort letters, encompassing five separate criteria. On pages 34-35 you state that "...the Presort categories are priced on the basis of cost causation attributes (preparation, entry profile, etc.) unrelated to Single-Piece mail." Please explain why the Postal Service does not consider consistently high originating volumes (from one mailer) as a primary and significant cost driver and, therefore, an appropriate cost causation basis to distinguish between Single-Piece mail and presorted mail. Please provide any studies or other documents that you believe support your position.

### **MMA/USPS-T32-7**

On page 16 of your direct testimony, you state the following with respect to pricing First-Class workshared mail compared to First-Class single piece:

The goal of similar unit contributions from these two mail categories is not an absolute one; other rate design and rate impact considerations may require the Postal Service and the Commission to deviate from this goal. However, to the extent practicable, the Postal Service's intention going forward is to equalize the unit contribution from the Single-Piece Letter category and from the Presort Letter category.

- A. Please confirm that under the rates you propose, the TYAR unit contributions to institutional costs from First-Class single piece and presort letter mail are \$.2348 and \$.2343, respectively. If you cannot confirm, please provide the correct unit contributions to institutional costs for First-Class single piece and presort letter mail.
- B. Please confirm that, using the Commission's attributable cost methodology, if the rates you propose are adopted the TYAR unit contributions to institutional costs from First-Class single piece and presort letter mail are estimated to be \$.2104 and \$.2294, respectively, a difference of 1.9 cents. If you cannot confirm, please provide the correct

unit contributions to institutional costs for First-Class single piece and workshared mail using the Commission's attributable cost methodology.

- C. Do you agree that, using the Commission's attributable cost methodology, the specific rates you propose do not satisfy your stated objective of equal unit contributions to institutional costs for First-Class single piece and presort letters? If no, please explain your answer.
- D. Please confirm that, under the Commission's rate recommendations in R2000-1, R2001-1, and R2005-1, First-Class presort letters have on average contributed 1.7 cents, 1.9 cents, and 1.9 cents, respectively, more to institutional costs than First Class single piece letters. Derivation of these unit cost contribution differences is shown on the following table. If you cannot confirm, please provide the correct unit cost contributions and demonstrate how they are derived.

Docket No.	R2005-1	R2001-1	R2000-1
First-Class Single Piece			
Revenues (000)	20,506,695	21,865,222	22,576,889
Attributable Costs (000)	12,056,748	13,691,814	14,684,352
Contribution (000)	8,449,947	8,173,408	7,892,537
Volume (000)	42,459,296	46,841,145	52,828,895
Unit Contribution (\$)	0.199	0.174	0.149
First-Class Presorted			
Revenues (000)	15,382,831	15,915,988	13,172,716
Attributable Costs (000)	4,929,340	5,985,539	5,305,138
Contribution (000)	10,453,491	9,930,449	7,867,578
Volume (000)	47,962,523	51,353,440	47,320,291
Unit Contribution (\$)	0.218	0.193	0.166
Presort - S.P. Unit Contrib (\$)	<b>0.019</b>	<b>0.019</b>	<b>0.017</b>