

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PITNEY BOWES INC.
(PB/USPS-T32-44 AND 53 THROUGH 58)**

The United States Postal Service hereby files the responses of witness Altaf H. Taufique to the following interrogatories of Pitney Bowes Inc.: PB/USPS-T32-44 and T32-53 through 58, filed on June 20, 2006. The interrogatories are stated verbatim and are followed by the responses. Interrogatories PB/USPS-T32-45 through T32-52 and T32-59 have been redirected to the Postal Service for institutional response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Michael T. Tidwell
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998; Fax -5402
michael.t.tidwell@usps.gov
July 3, 2006

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PITNEY BOWES**

PB/USPS-T32-44. Please define “drop letters.” For your convenience, you may wish to refer to the testimony of Richard B. Kielbowicz in MC 95-1.

RESPONSE

Page 7 of the *United States Official Postal Guide* (July 1933) reflects the existence of rate differentials for First-Class Mail *drop letters* “mailed for local delivery at post offices having city or village letter carrier service, or at any post office for local delivery to patrons thereof on a rural or star route therefrom, or by patrons on a rural or star route for local delivery at the post office or on another rural or star route therefrom” According to the page 12 of the 1953 edition, similar rate differentials for *drop letters* “mailed at offices where letter carrier service is not established, provided the addressees are not served by rural or star route carriers” The Postal Service, which has not maintained a First-Class Mail *drop letters* classification or rate differential for some time, has not directed me to develop any definitions for purposes of this docket. Accordingly, I have not studied or analyzed any historical definitions or what sort of definition could be applied to define such a classification or to justify such a rate differential in today’s environment or in the near future.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PITNEY BOWES**

PB/USPS-T32-53. Please confirm that you were the pricing witness for Periodicals in R97-1, R2000-1, and R2001-1.

RESPONSE

Please read the Autobiographical Sketch in my Docket No. R2006-1 testimony,

USPS-T-32.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PITNEY BOWES**

PB/USPS-T32-54. Please confirm that your rate design in R97-1, R2000-1, and R2001-1 had dropship discounts and zoning discounts. If you cannot confirm, please explain fully.

RESPONSE

The rate design proposed on behalf of the Postal Service in those testimonies included destination entry discounts and zoned rates.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PITNEY BOWES**

PB/USPS-T32-55. Please confirm that you agree that these discounts did not increase the combined costs of the Postal Service and the mailing community. If you cannot confirm, please explain why.

RESPONSE

It is assumed that your question refers to the Periodicals discounts approved by the Governors in Docket Nos. R97-1, R2000-1 and R2001-1. The Periodicals pricing proposals were intended to, among other objectives, reflect costs.

Neither the goal, nor the outcome of the pricing proposals was to increase the combined costs of the Postal Service and the mailing community.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PITNEY BOWES**

PB/USPS-T32-56. Please refer to the Response of the United States Postal Service to Interrogatories of Pitney Bowes Redirected from Witness Shaw PB/USPS-T1-11, filed in N2006-1. The Postal Service responded “No” to the interrogatory “Do First-Class Mail presort letters that are entered at the facility where they will be delivery point sequenced incur a smaller amount of non-distance related surface transportation costs by the Postal Service than other First-Class Mail presort letters? If so, please explain why.” Please state whether you agree with this response; provide a detailed explanation of your reasoning for agreeing or disagreeing; and produce (or cite to) documents sufficient to verify your response.

RESPONSE

I am neither an operations nor a costing witness in this proceeding. I have no basis for addressing the costing and operations issues raised by your question.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PITNEY BOWES**

PB/USPS-T32-57. Please confirm that it would be possible to design destination entry discounts for First-Class Presort Mail that would be both revenue neutral and that would not affect the First-Class Single Piece rate.

RESPONSE

With some combination of data and assumptions, one could possibly design First-Class Mail presort and automation prices that included destination entry discounts and that achieved cost coverage, revenue and contribution targets. This complex exercise is not part of Postal Service's proposal in this docket.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PITNEY BOWES**

PB/USPS-T32-58. Please confirm that it would be possible to design destination entry discounts for First-Class Presort Mail that would mitigate any rate shock effect of such rates.

RESPONSE

The term “rate shock” is subjective in nature and can only be addressed within the context of an overall pricing proposal. In general, new discounts often require an increase in other prices, assuming some of the workshare activity is already occurring absent the discount. The specific resulting increase would need to be viewed in the context of the pricing criteria in order to determine if it constituted “rate shock.”