

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

POSTAL RATE AND FEE CHANGES, 2006:

Docket No. R2006-1

**INTERROGATORIES DIRECTED BY THE MCGRAW-HILL COMPANIES, INC.
TO UNITED STATES POSTAL SERVICE WITNESS TANG
MH/USPS-T35-1-5**

Pursuant to Rules 25, 26 and 27 of the Rules of Practice, The McGraw-Hill Companies, Inc. directs the following interrogatories and other discovery requests to United States Postal Service witness Rachel Tang (T-35). To the extent that the witness is unable to provide a full response, please provide a response by the witness best able to respond or by the Postal Service as an institution. If the information requested is not available in the precise format or level of detail requested, please provide responsive information in such format and level of detail as is available. In the event that the Postal Service would otherwise object to any of these discovery requests, please first contact the undersigned counsel to discuss whether the objection may be resolved informally.

Respectfully submitted,

Timothy W. Bergin
Hall, Estill, Ardwick, Gable, Golden &
Nelson, P.C.
1120 20th Street, N.W., Suite 700 North
Washington, D.C. 20036-3406
(202) 973-1224
tbergin@hallestill.com

Counsel for The McGraw-Hill
Companies, Inc.

MH/USPS-T35-1. With respect to the container rate addressed at pp. 4-6 of your testimony and in USPS-LR-L-126, worksheet "Container":

- (a) Please explain fully how you arrived at a proposed container rate of 85¢ per container, as opposed to some other amount, and provide all calculations and references to any relevant portions of the record in this proceeding.
- (b) Given the estimate that an average pallet contains 1641.64 pieces, please confirm that on average, each palletized piece would effectively incur \$0.00052 (0.05176¢) as a result of the proposed container charge. If you do not confirm, please explain fully.
- (c) In worksheet "Container", please reconcile the 71,188, 563 figure in cell B7 with the 72,056,006 figure in cell B11.
- (d) In worksheet "Container", please explain fully the derivation of the 50,963,695 figure in cell H7.

MH/USPS-T35-2. With respect to the statements at page 6 of your testimony that the proposed container rate "would encourage customers to move toward more efficient containerization, such as from sacks to pallets", and "would encourage better use of existing containers" (i.e., fuller, and therefore fewer, sacks and pallets):

- (a) Please confirm that the proposed container rate is designed to foster a substantial reduction in the number of containers used for Outside-County Periodicals mail, and a corresponding reduction in costs incurred by the Postal Service, above and beyond the elimination of 65% of "skin" sacks projected to result from the minimum 24 pieces per sack rule that became effective for Periodicals mail on May 11, 2006. If you do not confirm, please explain fully.
- (b) Please confirm that apart from the elimination of 65% of skin sacks, you nevertheless project in worksheet "Container" that the same number of containers (50,963,695) will be used for Outside-County Periodicals mail in TY 2008 as was used for Outside-County Periodicals mail in FY 2005 (even though the TYAR volume of Outside-County Periodicals mail forecast for TY 2008 is 210,102,987 pieces less than the corresponding FY 2005 volume). If you do not confirm, please explain fully.
- (c) Please confirm that you likewise project in worksheet "Container" and your TYAR worksheets for Outside-County Periodicals mail that (i) the number of pallets used for Outside-County Periodicals mail in TY 2008 will be the same as in FY 2005 and (ii) pallets for Outside-County Periodicals mail will average the same number of pieces in TY 2008 as in FY 2005. If you do not confirm, please explain fully.
- (d) Please provide your best estimate of the degree of impact (or range of impact) that the proposed container charge would likely have through TY 2008 on (i) the number

of Outside-County Periodicals sacks and pallets, respectively, and (ii) the average number of pieces per pallet and per sack, respectively.

(e) Assuming that the proposed container rate in fact fosters a substantial reduction in the number of containers used for Outside-County Periodicals mail, please explain fully whether and to what extent it is likely that the corresponding reduction in costs incurred by the Postal Service may substantially exceed the resultant reduction in container charge revenues, resulting in a commensurately higher cost coverage for Outside-County Periodicals mail.

(f) Please provide your best estimate of the reduction in costs to the Postal Service that would likely be fostered by the proposed container charge through TY 2008.

MH/USPS-T35-3. With respect to your testimony at page 4 lines 20-23, page 5 lines 2-3 and page 6 lines 9-12 that the proposed container rate is designed to achieve greater progress, and would send a better price signal, for purposes of encouraging Periodicals mailers to shift from sacks to pallets and to use fewer (fuller) containers:

(a) Please explain fully all reasons for the decision that for such purposes, the proposed container charge would send a better price signal, and likely achieve greater progress, than the current pallet discounts or enhanced versions of those discounts.

(b) Please compare, with as much quantitative specificity as possible, the incentives for Outside-County Periodicals mailers to shift from sacks to pallets under the proposed rate structure (including, without limitation, the container charge) with any such similar incentives under the current rate structure (including, without limitation, the effect of pallet discounts on the level of the piece rates generally).

(c) To the extent that Outside-County Periodicals mailers already use pallets, please compare, with as much quantitative specificity as possible, any rate benefits to such mailers for continued use of pallets under the current rate structure (including, without limitation, the pallet discounts that you propose to eliminate) with any similar such rate benefits under the proposed rate structure (including, without limitation, the effect of the container charge and other proposed rate design changes on the level of piece rates generally).

(d) For the purpose of gauging the impact of the proposed rate structure on Outside-County Periodicals mailers, please provide alternative (non-binding) piece rates designed to recover the same revenue as the proposed piece and container rates but substituting the current pallet discounts (with any adjustments that might be warranted) for the container charge.

(e) For the purpose of gauging the impact of the proposed rate design on Outside-County Periodicals mailers, please provide alternative (non-binding) piece rates designed to recover 60% (rather than 63% or 62.5%) of the aggregate piece, pound and container revenues for Outside-County Periodicals mail in TY 2008, both (i) under the

proposed rate structure and (ii) under the alternative rate structure described in subpart (d) above.

MH/USPS-T35-4. With respect to your testimony at page 5 line 21 through page 6 line 8, noting data indicating for Periodicals mail an average of about 1642 pieces per pallet and 42 pieces per sack, and stating that if the proposed 85¢ container charge “were allocated to each mail piece within an average sack or pallet, each piece on a pallet would bear \$0.001, while each piece within a sack would bear \$0.02”, a differential of \$0.019:

(a) Please confirm that the proposed container charge would impose an added per-piece rate burden on sacks that contain relatively few pieces (for example, an aggregate \$0.040 per piece for a sack containing only one-half the average pieces per sack) that is approximately 40 times higher than the per-piece rate burden that the proposed container charge would impose on pallets that similarly contain relatively few pieces (for example, an aggregate \$0.0010 per piece for a pallet containing only one-half the average pieces per pallet). If you do not confirm, please explain fully.

(b) Please confirm that under the current rate structure, there are no rate disincentives to mailing relatively few pieces per sack or pallet (vis-à-vis the average number of pieces per sack or pallet, respectively), putting aside Postal Service rules specifying minimum pieces per sack or minimum weight per pallet. If you do not confirm, please explain fully.

(c) Please set forth and explain your view of the relative advantages and disadvantages of encouraging greater container utilization through such rules, as opposed to rate incentives such as the proposed container charge.

MH/USPS-T35-5. Please refer to *Postal Bulletin* 22156 (6-9-05), pages 17 and 23, which announced revisions to the Domestic Mail Manual, including part 707.28.4.6 (entry of Periodicals mail at the destination delivery unit), and explained those revisions in part as follows:

The Postal Service is finding ways to make it easier for customers to enter mail. One way is by offering optional entry of unsacked bundles for specified flat-size mail. This will help reduce dependency on sacks and also help us increase efficiency and reduce costs. . . .

When entering mail at DDU facilities, mailers (or their drivers) must unload the mail within 1 hour of arrival and place the mail into containers that entry facility employees specify. DDU facility employees may also require drivers to keep bundles separated by individual 5-digit ZIP Codes or by 5-digit schemes.

(a) Please state whether the proposed container charge would apply to uncontainerized bundles of Periodicals mail that are entered at DDU facilities, where the bundles are unloaded by mailers, separated by mailers by 5-digit zip codes or 5-digit schemes or as otherwise specified by DDU personnel, and placed by mailers into corresponding rolling containers as specified by DDU personnel. Please explain your rationale fully.

(b) Please state whether the proposed container charge would apply to bundles of Periodicals mail that are entered at DDU facilities that cannot handle pallets, where the bundles are unloaded by mailers from pallets, separated by mailers by 5-digit zip codes or 5-digit schemes or as otherwise specified by DDU personnel, and placed by mailers into corresponding rolling containers as specified by DDU personnel, in accordance with DMM 707.28.4.6d. Please explain your rationale fully.

(c) Please state whether the proposed container charge would apply to bundles of Periodicals mail that are entered at DDU facilities, where the bundles are removed by mailers from sacks unloaded by mailers, are separated by mailers by 5-digit zip codes or 5-digit schemes or as otherwise specified by DDU personnel, and placed by mailers into corresponding rolling containers as specified by DDU personnel. Please explain your rationale fully.