

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20068-0001

Postal Rate and Fee Changes, 2006)

Docket No. R2006-1

FIRST SET OF INTERROGATORIES OF THE NATIONAL NEWSPAPER
ASSOCIATION TO POSTAL SERVICE WITNESS TANG, USPS-T-35
(NNA/USPS-T35-1-25)
July 12, 2006

Pursuant to the Commission's Rules, National Newspaper Association hereby submits interrogatories to United States Postal Service Rachel Tang and requests full and complete responses. If the witness is not able to respond to any interrogatory, the witness is requested to refer the interrogatory to the United States Postal Service for a response by a competent witness.

Respectfully submitted,

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July 12, 2006

NNA/USPS-T35-1 On page 2 of your testimony, (USPS-T-35) in Table 1, you show TYAR Cost Coverage for Outside County Periodicals of 1.060 and for Inside County Periodicals of 1.034. Please confirm that in this Table the cost coverage proposed for Within County Periodicals is 56.7% of the cost coverage proposed for Outside County. Please explain fully any answer other than a confirmation.

NNA/USPS-T35-2 On page 2 of your testimony, (USPS-T-35) in Table 1, you show TYAR Cost Coverage for Outside County Periodicals of 1.060 and for Inside County Periodicals of 1.034. Please explain fully how this proposed cost coverage for Within County Periodicals conforms with the standard for Within County that the markup for Within County “shall be equivalent to half the markup of Outside County Periodicals.” If this cost coverage proposal does not conform to this standard for Within County, please so indicate.

NNA/USPS-T35-3 On page 3 of your testimony, (USPS-T-35) in Table 4, you show a total of Nonprofit and Classroom Discounts of \$18,136,602. Please confirm that this amount represents discounts provided to Nonprofit and Classroom mailers which therefore are never collected by the Postal Service. Explain any answer other than a confirmation.

NNA/USPS-T35-4 On page 6 of your testimony, (USPS-T-35) at lines 22-23, you propose a 37-63 split between revenue to be raised from pounds and pieces in Outside County Periodicals. Please explain fully your reasons for proposing this particular split.

NNA/USPS-T35-5 On page 6 of your testimony, (USPS-T-35) at line 23, you reference “the traditional 40-60 split” as between revenue to be raised from pounds and pieces in Outside County Periodicals. Please provide all supporting documents or references upon which you relied in determining that 40-60 was the “traditional” split for Outside County Periodicals.

NNA/USPS-T35-6 On pages 6-7 of your testimony, (USPS-T-35) beginning at line 23 of page 6, you reference the “long-observed trend that the piece side contributes more than 60 percent of mail processing and delivery costs.” With respect to this statement, please provide all supporting documents or references that you relied on in making this statement other than the reference to USPS-T-28 in R2000-1 that you cite at line 2 of page 7.

NNA/USPS-T35-7 On page 14 of your testimony, (USPS-T-35) at lines 17-18, you state that the overall increase proposed for Within County Periodicals in this case “is balanced” by the rate reduction for Within County in Docket No. R2005-1. Please explain fully why you believe that the rate reduction afforded to Within County in Docket No. R2005-1 has any relevance in this proceeding whatsoever.

NNA/USPS-T35-8 On page 14 of your testimony, (USPS-T-35) at lines 17-18, you state that the overall increase proposed for Within County Periodicals in this case “is balanced” by the rate reduction for Within County in Docket No. R2005-1. With respect to this statement, please confirm that in R2005-1, the Postal Service had proposed an even bigger rate decrease for Within County Periodicals than the rate decrease that was ultimately adopted by the Commission. Explain fully any answer other than a confirmation.

NNA/USPS-T35-9 On page 14 of your testimony, (USPS-T-35) at lines 17-18, you state that the overall increase proposed for Within County Periodicals in this case is higher than the increase for the Outside County subclass “because of different Within County costs.” Please explain fully what you mean by “different” in this statement and identify each cost category or type of cost that you believe is “different” for the Within County sub-class as compared to the Outside County subclass.

NNA/USPS-T35-10 On page 14 of your testimony, (USPS-T-35) at lines 19-20, you state that “Within County discounts are generally based on cost avoidance derived for the Outside County subclass with appropriate passthroughs.” With respect to this statement, please explain fully why you believe that cost avoidance estimates derived from the Outside County subclass are appropriate for measuring costs avoided in the Within County subclass.

NNA/USPS-T35-11 On page 14 of your testimony, (USPS-T-35) at lines 19-20, you state that “Within County discounts are generally based on cost avoidance derived for the Outside County subclass with appropriate passthroughs.” With respect to this statement, please confirm that as a general matter the cost avoidance passthroughs that you propose for Outside County periodicals differ from the cost avoidance passthroughs that you proposed for Within County in this case. Explain, any answer other than a confirmation.

NNA/USPS-T35-12 On page 14 of your testimony, (USPS-T-35) at lines 19-20, you state that “Within County discounts are generally based on cost avoidance derived for the Outside County subclass with appropriate passthroughs.” Please identify each Within County discount category where your recommendations rely on both cost avoidances derived from the Outside County subclass and on cost avoidance passthroughs that differ from the passthroughs that you recommend for the Outside County subclass in this case.

NNA/USPS-T35-13 On page 2 of your testimony, (USPS-T-35) at line 1, you state that you are sponsoring library reference L-126. With respect to USPS-LR-L-126, please refer to the Within County Worksheet Rate Design Input at line 15. In that line, you indicate that the “Proportion of Revenue from Piece Rates” that was input for Within County is 53.5% (rounded to 54%). Please confirm that the proportion of revenue from piece rates that you are recommending in this case

for Within County Periodicals is 53.5%. Please explain any answer other than a confirmation.

NNA/USPS-T35-14 On pages 6-7 of your testimony, (USPS-T-35) beginning at line 23 of page 6, you reference the “long-observed trend that the piece side contributes more than 60 percent of mail processing and delivery costs.” Please confirm that this trend applies to Within County Periodicals as well as to Outside County Periodicals. Explain fully with supporting reference any answer other than a confirmation.

NNA/USPS-T35-15 On page 2 of your testimony, (USPS-T-35) at line 1, you state that you are sponsoring library reference L-126. With respect to USPS-LR-L-126, please refer to the Within County Worksheet Piece Discounts 2 page at line 14. At that line, you propose a cost avoidance passthrough of 58% for carrier route presorted Within County pieces. Yet in the same Library Reference in Outside County Worksheet Piece Discounts 2 page at line 14, you propose a cost avoidance pass through of 148% for carrier route presorted Outside County pieces. Please confirm these passthrough percentages and explain fully why your proposed passthrough for Outside County Carrier Route pieces is nearly two and half times the passthrough that you proposed for Within County Carrier Route pieces.

NNA/USPS-T35-16 On page 2 of your testimony, (USPS-T-35) at line 1, you state that you are sponsoring library reference L-126. With respect to USPS-LR-L-126, please refer to the Within County Worksheet Piece Discounts 2 page at line 15. At that line, you propose a cost avoidance passthrough of 62% for High Density Within County pieces. Yet in the same Library Reference in Outside County Worksheet Piece Discounts 2 page at line 15, you propose a cost avoidance passthrough of 100% for High Density Outside County pieces. Please confirm these passthrough percentages and explain fully why your proposed passthrough for Outside County High Density pieces is more than 60% higher than the passthrough that you proposed for Within County High Density pieces

NNA/USPS-T35-17 Please refer to your calculations in LR L126, under the “Discounts” worksheet on pg 6 of 14.

- a. Please confirm that mail processing costs for within county mail at both high density and saturation sortations is 1.409 cents and confirm that Witness Talmo is your source for those figures.
- b. Do you believe that high density within county mail requires no greater amount of mail processing than saturation mail? If so, please explain why.

NNA/USPS-T35-18 Please refer to your testimony on p. 5 regarding the May 2006 mail preparation change requiring at least 24 pieces of mail in sacks. Are the sacks formerly containing fewer than 24 pieces the ones to which you refer as “small sacks” at lines 17-18. If so, why do you believe only 65 percent of these

sacks will have been eliminated by the test year, when the mail preparation rules permit none of them at all?

NNA/USPS-T35-19 Please explain how you determined, with reference to your testimony on p. 5, lines 2-5 that price signals will encourage abandonment of sacks by mailers. If their mailpiece sizes or publication deadlines preclude the use of pallets, either as single mailers or in co-palletization, what effect do you expect to produce from this price signal?

NNA/USPS-T35-20 Please confirm that a mailer unable to respond to the containerization price signal by eliminating the use of sacks could help to eliminate sacks by simply ceasing to mail and if you do confirm, please explain whether you have considered this outcome in your predictions for the test year.

NNA/USPS-T35-21 Please refer to your statement on p. 4, lines 16-18, that the Postal Service has worked with the Periodicals industry to contain costs and to encourage better mail preparation and work-sharing. Does this statement refer primarily to the “magazine” industry, as opposed to other types of periodicals, such as newspapers? If not, please provide any information you may have on how the Postal Service has “encouraged” better mail preparation by newspapers other than requiring the elimination of sacks containing fewer than 24 pieces.

NNA/USPS T35-22 Please refer to your response to ABM/USPS T35-3. Has the Postal Service carried out any studies or has it completed any analysis of the mailstream or any other factual investigation to indicate that a typical weekly newspaper possesses the characteristics quoted by ABM from the materials circulated around the time this case was initiated? If your response is yes, please provide copies of these source materials. If your response is no, please explain how the Postal Service decided to use this example.

NNA/USPS T35-23 Please refer to your response to MPA/USPS T35-1, part f. Does your response mean that the Postal Service intends to impose a container charge upon periodicals that are not in a container, such as bundles left on a loading dock at a local post office? If your response is yes, please explain what container cost would be created by such a bundle.

NNA/USPS T35-24 With respect to flats tubs or trays,

- a) please define these terms if you consider them containers that might be subject to container charges
- b) has the Postal Service completed any studies on the mail processing and /or other costs associated with flats tubs or trays? If so, please provide copies of the studies?
- c) If your response to part b. is no, please explain on what basis the Postal Service would impose a charge on a flat tub or tray?

- d) If a charge on a flat tub or tray is intended, will the Postal Service propose the charge to the Postal Rate Commission in a separate proceeding?
- e) Does the Postal Service believe the cost of handling a tray is equivalent to, greater than or less than the cost of handling a sack? Please provide any studies that support this belief.

NNA/USPS T35-25. If a set of flats tubs or trays were provided by a mailer on a piece of rolling stock, such as an All Purpose container, such that handling of individual tubs or trays would be unnecessary at most points in the mail processing network, would the “container” be considered the individual tubs or trays, or would it be the rolling stock, assuming a container charge of some sort would apply in this scenario? Please explain your response.