

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

Postal Rate and Fee Changes, 2006)

Docket No. R2006-1

**INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION, AFL-CIO TO
USPS WITNESS ALTAF H. TAUFIQUE (APWU/USPS-T32-1-12)
(July 14, 2006)**

Pursuant to Rules 25, 26, and 27 of the Rules of Practice, The American Postal Workers Union, AFL-CIO directs the following interrogatories to USPS Altaf Taufique. If the witness is unable to respond to any interrogatory, APWU requests that a response be provided by an appropriate person capable of providing an answer.

Respectfully submitted,

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APWU/USPS-T32-1 The first class rate design you propose involves several types of cost deaveraging, both across shapes and across rate categories.

- a) Did you make the decision to deaverage costs in this way?
- b) If your answer to b above is yes, why did you decide to deaverage across rate categories in addition to deaveraging only across shapes?
- c) If your answer to a above is no, please state how the decision was made.

APWU/USPS-T32-2 You state on page 15 of your testimony that the Postal Service is de-linking single piece and presort letters.

- a) What was the rationale for always linking those two in the past?
- b) What has changed that rationale?

APWU/USPS-T32-3 Do you consider the proposed methodology to be “bottom-up” pricing?

APWU/USPS-T32-4 Section 3623(d) of the Postal Reorganization Act requires that the Postal Service

“Maintain one or more classes of mail.... the rate for each such class shall be uniform throughout the United States, its territories, and possessions.”

Would you agree with the statement that this requirement of a uniform rate within a class of mail was met in previous rate cases by calculating workshare discounts on the basis of costs avoided using a benchmark metered Single-Piece First Class letter with most of the same characteristics as a typical workshare letter?

APWU/USPS-T32-5 You state at page 15 of your testimony that

“[t]he Postal Service de-links the cost and rate development for Single-Piece Letters from the cost and rate development for Presort Letters.”

Setting aside the question of whether it has happened in this case, doesn't this approach to rate-setting create the possibility that, by “de-linking” the rates for Single-Piece and Presort letter mail you have created a system in which rates for First Class Single-Piece Mail and Workshared Mail may no longer be uniform?

APWU/USPS-T32-6 You have stated at pages 15-16 of your testimony that the Postal Service's

“objective...is to gradually achieve a rate design paradigm in which both workshare and single-piece mail contribute equally to institutional costs on a unit contribution basis.”

- a) Is it the position of the Postal Service that a rate design system that seeks to equalize contribution to institutional costs by different types of letters within the same rate class meets the requirement that “[t]he rate for each...class shall be uniform throughout the United States and its Territories”?
- b) If the answer to question a above is in the affirmative, did the failure of the Postal Service to seek this outcome in previous cases violate the requirement that rates be uniform within the same rate class?
 - a. If the answer to question b above is in the negative, is the Postal Service re-defining uniformity of rates for purposes of Section 3623(d) of the PRA?

APWU/USPS-T32-7 You referred in your testimony (at pages 12, 15) to “considerable controversy” and “irreconcilable divisions” related to the Postal Service’s use of a benchmark piece of First Class Mail as a basis for calculating Workshare discounts.

- a) Does section 3623(c) of the Act provide a policy that controversy and divisions should be avoided in the setting of rates?
- b) If you had not changed your approach in this case, can you point to a controversial issue that would have arisen that did not arise and get resolved by the PRC and the Board of Governors in previous cases?
- c) Will the use of the newly-devised method of establishing rates eliminate controversy and divisions in the rate-setting process?

APWU/USPS-T32-8 Section 3623(c) of the PRA requires that the Commission make a recommended decision on changing the rate schedule “in accordance with the policies of this title and” six listed factors.

- a) does your testimony make reference to any policy of the Act other than the six factors listed in Section 3623(c)?
- b) If your answer to question a above is yes, point out the place or places in your testimony where that reference(s) is made, point out where in the Act the policy in question is stated, and explain how your reference weighs the policy in question.
- c) If your answer to question a above is no, is it the position of the Postal Service that the phrase “in accordance with the policies of this title” adds nothing to the requirement that the recommended decision be in accordance with the six listed factors?

APWU/USPS-T32-9 Assume you have two pieces of identical business mail, both are uniform size, both are type-written but one piece is part of a large presort mailing and the other is part of a smaller non-discounted business mailing. Under the proposed system, isn’t it likely that the non-discounted business mail will pay

more toward the overhead costs of the Postal System than will the identical presort piece?

APWU/USPS-T32-10 On page 13 of your testimony you state that a “significant percentage” of single piece letters have handwritten addresses. How many letters in the test year had handwritten addresses? What percentage of handwritten letters are automation compatible?

APWU/USPS-T32-11 On pages 16 and 17 of your testimony you state that “the starting point would be the Mixed AADC rate, a benchmark internal to Presort Letters. However, the discounts are each calculated from the presort level that immediately precedes it in aggregation. Why are the costs avoided and discounts not all calculated from the single benchmark?”

APWU/USPS-T32-12 On page 14 you state that the CRA generated costs reflect the full range of cost differences between the groups of letter mail. If one of these groups has higher costs because it is sent to more remote, higher cost areas will the proposed methodology cause that group to bear the full costs of differential itself?