

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes,  
2006

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Docket No. R2006-1

FIRST SET OF INTERROGATORIES OF  
NATIONAL ASSOCIATION OF PRESORT MAILERS  
TO APWU WITNESS KOBE  
(NAPM/APWU-T1-1-6)  
(September 15, 2006)

Pursuant to sections 25, 26 and 27 of the Commission's rules of practice, the National Association of Presort Mailers direct the following interrogatories to American Postal Workers Union, AFL-CIO witness Kathryn L. Kobe (APWU-T-1). If the witness cannot answer a question or subpart, we request that APWU answer through another witness or submit an institutional response.

Respectfully submitted,

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**NAPM/APWU-T-1-1.** Please refer to page 7 of your testimony (APWU-T-1), where you quote the Postal Rate Commission's Opinion in R2000-1, as follows:

This may mean that the institutional cost burden of First-Class workshare mail is increasing. However, when discounts pass through 100 percent of avoided costs to the workshare mailer, the contribution made by that mailer to institutional costs is the same as the mailer would have made without worksharing. Thus, workshare mailers and non-workshare mailers provide the same contribution, which is fair and equitable.

a. Please confirm that discounts set at 100 percent of avoided costs are both fair and equitable. If you cannot confirm, please explain why.

b. Please confirm that, in general, you would endorse setting rates so that discounts pass through 100 percent of avoided costs.

c. Please explain the circumstances under which you would endorse discounts that exceed or are smaller than avoided costs.

**NAPM/APWU-T-1-2.** Please confirm that in Table 4 on page 21 of your testimony (APWU-T-1), the Total Worksharing Related Unit Cost Savings in column (5) are equivalent to costs avoided.

**NAPM/APWU-T-1-3.** Please confirm that, in general, you believe that discounts and costs avoided should be measured on an on a cumulative basis (i.e. from the benchmark to each rate category) rather than on an incremental basis (i.e. from one rate category to the next). If you do not confirm, please reconcile your response to how you have presented discounts and cost avoidances in your testimony.

**NAPM/APWU-T-1-4.** Please refer to pages 6-7 of your testimony (APWU-T-1), where you state, in pertinent part, that “[d]ifferences in per unit costs based on differences in the total CRA costs for Presort mail and Single Piece mail may reflect a whole range of characteristics that do not relate to the cost avoidances for workshare activity.” Please list all the nonworksharing characteristics that you believe could have a material effect on the cost of mail processing for Single Piece letter shaped mail and Presort letter-shaped mail.

**NAPM/APWU-T-1-5.** Please produce any economic or operational analyses you have performed or relied upon to support your classification of cost pools as proportional, worksharing related-fixed, or non-worksharing related-fixed. Please also provide electronic files and narrative explanation or instructions sufficient to enable interested parties to understand, test and replicate your analyses.

**NAPM/APWU-T-1-6.** Please refer to pages 5 and 6 of your testimony (APWU-T-1), where you discuss “clean” mail and “dirty” mail in the Single-Piece First-Class letters mail stream.

a. Please identify the complete set of characteristics that distinguishes “clean” mail from “dirty” mail, as you use the terms.

b. Please confirm that if Single-Piece First-Class letter rates were deaveraged across the set of characteristics defining “clean” mail and “dirty” mail and rates were set to comport with the Efficient Component Pricing Rule, the

per-unit contribution for “clean” mail and “dirty” mail would be the same. Please explain fully any failure to confirm without qualification.

c. Please confirm that deaveraging across this set of characteristics would provide better pricing signals for efficient behavior than the current pricing approach. Please explain fully any failure to confirm without qualification.

d. Please confirm that deaveraging across this set of characteristics would reduce total combined mailing costs in the society as compared to the current pricing approach. Please explain fully any failure to confirm without qualification.