

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE  
TO NATIONAL NEWSPAPER ASSOCIATION WITNESS HEATH  
(USPS/NNA-T1-7-25)  
(October 4, 2006)

Pursuant to Rules 25 through 27 of the Commission's Rules of Practice and Procedure, the United States Postal Service hereby directs the following interrogatories to National Newspaper Association witness Heath: USPS/NNA-T1-7-25.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**USPS/NNA-T1-7** In your testimony on page 14, lines 26 to 33, you describe a 2003 experiment involving the Searchlight newspaper in Prentiss, MS, which is edited by NNA member Patsy Speights. In that experiment, Mrs. Speights shifted her Outside County mail out of sacks and into flats tubs. In your testimony on page 15, lines 5 to 6, you state, “Mrs. Speights has reduced her container use from 68 sacks to 26-27 tubs.”

- (a) Please describe the 68 sacks prepared by Mrs. Speights prior to the experiment by reference to the sacks’ i) presort level, and ii) average size, in terms of pieces.
- (b) Of the 68 sacks, approximately how many contained fewer than 24 pieces?
- (c) Please describe the 26-27 flats tubs prepared by Mrs. Speights as a result of the experiment by reference to the tubs’ i) presort level, and ii) average size, in terms of pieces.

**USPS/NNA-T1-8**

- (a) Please describe the usage of sacks by newspapers following the promulgation of the 24-piece sack rule.
- (b) What are the approximate median piece counts of sacks prepared by a typical LCNI, and an NNA-member, newspaper?
- (c) Based on typical mail piece characteristics, what is an approximate or median quantity of pieces that such newspapers are able to place in a flat tub?

**USPS/NNA-T1-9** In your testimony on page 15, lines 10 to 11, you state in reference to the experiment in Maine, “I understand it is still ongoing and has produced container reductions and improved service.” Please quantify the “container reductions” that have occurred as a result of the experiment.

**USPS/NNA-T1-10** In your testimony on page 16, lines 19 to 20, you state, “I believe tubs actually do avoid some expense for the Postal Service and for mailers, besides the apparent service improvements, compared to sacks.” Also, in your testimony on page 17, lines 16 to 17, you propose that the Commission “reject the proposed charge on [flats tubs] altogether.”

- (a) Please confirm that a flats tub is a container. If you do not confirm, please explain.
- (b) Please confirm that flats tubs do cause the Postal Service to incur some costs for handling them. If you do not confirm, please explain.

- (c) Please confirm that if the container charge is imposed on flats tubs, it would provide mailers with an incentive to utilize tubs more efficiently, which would thereby reduce the number of tubs that are entered. If you do not confirm, please explain.

**USPS/NNA-T1-11** In your testimony on pages 17 and 18 you assert that the container charge should not be applied to “uncontainerized mail.” Please confirm that by “uncontainerized mail,” you mean unsacked bundles entered at the delivery unit pursuant to DMM 707.23.4. If you do not confirm, please explain.

**USPS/NNA-T1-12** In your testimony at page 18, lines 23 to 24, you state in reference to applying the Outside County container charge to “uncontainerized mail,” “A surcharge gives me no incentive to push this practice further.” Please also refer to the Postal Service’s response to Presiding Officer’s Information Request No. 30 (Tr. 7/1615-18) and to Tr. 7/1857. Please confirm that a mailer who enters mail in unsacked bundles rather than in sacks or tubs would pay a lower container charge in situations where the number of 5-digit ZIP Codes to which the mail is destined is lower than the number of containers that would be required to hold the mail. If you do not confirm, please explain.

**USPS/NNA-T1-13** Please confirm that mailers utilizing flats tubs and unsacked bundles pay the same piece rates as all other Outside County mailers. If you do not confirm, please explain.

**USPS/NNA-T1-14** In your testimony on page 19, lines 13 to 14, you state, “Many publishers who have consulted with me for budgets are finding similar ranges of impact.”

- (a) How many publishers are you referring to?
- (b) Please provide the percentage changes that they reported, and provide the underlying calculations supporting those percentage changes.

**USPS/NNA-T1-15** In your testimony on page 19, lines 18 to 20, you state, “Less efficient mail is increased by smaller percentages than more efficient mail, which appears backwards and wrong-headed to me.”

- (a) Is it your testimony that the appropriateness of a rate design is measurable only in terms of relative percentage increases? Please explain.
- (b) Please confirm that for any two pieces of mail paying different rates, if a fixed amount is added to the rates paid by both pieces of mail, the mail at the lower rate will have a larger percentage increase than the mail at the higher rate. If you do not confirm, please explain.

(c) In the hypothetical posed in part (b), assume that the fixed amount of cost incurred by both pieces of mail is independent of their worksharing activity. Do you believe that, in order to obtain proper rates, the mailer with the lower initial rate should be given less of the fixed amount originally added to both rates? Please explain.

**USPS/NNA-T1-16** Please refer to page 19, line 30, of your testimony. Based on your experience, please provide your best estimate as to the typical weight of a weekly community newspaper that utilizes Within County rates.

**USPS/NNA-T1-17** Please refer to page 20, lines 16 to 22, of your testimony.

- (a) Please explain the derivation of the 1.7 cents figure, with specific citations to supporting materials.
- (b) Please confirm that discounts are based on the costs avoided by the Postal Service rather than the costs incurred by a mailer.

**USPS/NNA-T1-18** Please refer to your testimony from page 20, line 24, to page 21, line 4.

- (a) Please confirm that the Postal Service's proposed rate differential between the carrier route basic piece rate and the carrier route high density rate is the same as the differential in current rates.
- (b) Considering your answer to part (a), please explain how can it be said that the Postal Service's proposal "punish[es]" high density mail?

**USPS/NNA-T1-19** In your testimony on page 22, lines 10 to 12, you state, "For the 22% of Within County mail that remains at the basic, 5-digit, and 3-digit levels, 170.8 million pieces are nonautomation flats, which is about 14% of the subclass." Please confirm that the correct figure is 107.9 million non-carrier route nonautomation pieces rather than 170.8. If you do not confirm, please explain your derivation of the 170.8 million figure, with citations to supporting materials.

**USPS/NNA-T1-20** In your testimony on page 23, lines 2 to 4, you state that the Postal Service's proposed Within County rates "do[ ] not provide sufficient incentive for high density mail, which is the category that publishers should be aiming for by increasing their readership on routes where they could achieve the density targets."

- (a) Is it your testimony that the passthrough for the high density rate should be increased in order to provide publishers with an incentive to seek out new subscribers on particular carrier routes? If this is not your testimony, please explain.

(b) Do you agree that increasing the passthrough for the high density rate would increase the rates for other types of pieces assuming a fixed Within County revenue requirement? If you do not agree, please explain.

(b) Do you agree that a newspaper's incentive to increase its circulation is independent of any desire to qualify for a particular postage rate? If you do not agree, please explain.

**USPS/NNA-T1-21** Based on your experience, please describe those Within County newspapers that typically use the non-carrier-route rate categories.

**USPS/NNA-T1-22**

(a) Please approximate, or provide your best estimate of, the percentage of i) LCNI newspapers, and ii) NNA newspapers, that use the carrier route rate categories.

(b) Please approximate, or provide your best estimate of, the percentage of i) LCNI newspapers, and ii) NNA newspapers, that use the carrier route high density category.

**USPS/NNA-T1-23** Please refer to page 5, lines 30 to 31, of your testimony. Please confirm that the base year in Docket No. R94-1 was FY 1993 rather than FY 1996. If you do not confirm, please explain.

**USPS/NNA-T1-24** In your testimony on page 6, lines 24 to 25, you state, "I have a high degree of confidence that newspaper mailing practices remain relatively stable over time." However, at lines 26 to 28 of that same page, you state that the newspaper industry is "more sophisticated, and engages in a much higher degree of mail preparation," and at lines 27 to 28 of page 21 you state that the billing determinants "show how highly efficient this subclass has become." Please explain what you mean when you state that "newspaper mailing practices remain relatively stable over time" in light of your other statements.

**USPS/NNA-T1-25** In your testimony on page 13, lines 12 to 13, you state, "If the Commission used a four year look-back, as it did in the past, the average number of pieces would be 791,553 for the base year." Please explain how this figure was estimated, with specific citations to supporting materials.