

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

PRELIMINARY RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 19
(October 6, 2006)

The United States Postal Service hereby provides a status report and preliminary response regarding Presiding Officer's Information Request (POIR) No. 19, issued October 2, 2006. POIR No. 19 requested the Postal Service to update data that were first provided in Docket No. C2004-1. These data concerned the impact on 251 Periodicals publications of rate proposals made by Time Warner, Inc. (TW), *et al.* in Docket No. C2004-1. The same data were also the object of questions from the bench by the Presiding Officer in the current proceeding, during the cross-examination of Postal Service witness Tang. Tr. 7/1883-88. As noted in POIR No. 19, on August 17, 2006, witness Tang provided a response to the Presiding Officer's questions showing the impact of the Postal Service's rate proposals on the 251 publications surveyed in Docket No. C2004-1.

Earlier this year, mailing rules in Periodicals increased the minimum piece requirement for sacking to 24 pieces, with limited exceptions. This change could have a

bearing on the impact of proposed rates in the current proceeding, because the data already provided might not reflect the mailing characteristics of the 251 publications under the new rule. On September 6, 2006, Magazine Publishers Association/Alliance of Nonprofit Mailers (MPA/ANM) filed the Docket No. C2004-1 database as a library reference (MPA/ANM-LR-3). These data are subject to protective conditions, pursuant to Presiding Officer's Ruling No. R2006-1/51.

On September 21, 2006, TW filed interrogatories directed to the Postal Service seeking, in effect, updated mail characteristics data reflecting the new sacking requirement for the publications surveyed in Docket No. C2004-1. On September 26, 2006, the Postal Service objected to the TW interrogatories on grounds that they were inappropriate as follow-up discovery, and because provision of the data requested would create a substantial burden. In its objection, the Postal Service explained that providing the updated data requested would entail virtually a new survey effort. The Postal Service noted a preliminary burden estimate of 400-500 work hours and a delay ranging up to three months.

Notwithstanding the Postal Service's burden estimate in its objection, POIR No. 19 requested the Postal Service to update MPA/ANM-LR-3 with data for the 251 publications reflecting mailings since the new 24-piece requirement. Acknowledging the possibility that data for all of the publications originally surveyed might not be available, the POIR indicated that the Postal Service could substitute data from similar publications. POIR No. 19, at 2, note 6. POIR No. 19, however, did not address the Postal Service's explanation in its objection that a new field survey would have to be conducted to compile data for many of the publications surveyed. The POIR gave the

Postal Service two weeks, until October 16, 2006, to provide the requested information. It further requested that TW and MPA/ANM provide information on the impact on the 251 publications of their respective rate proposals in the current docket, in light of the updated information requested from the Postal Service. POIR No. 19 gave TW and MPA/ANM until October 23, 2006, to provide their analyses, conditioned on the Postal Service's provision of an amended version of MPA/ANM-LR-3.

The Postal Service appreciates the Commission's interest in and need for the data requested in POIR No. 19. The Postal Service understands the Commission's belief that the information is important for its consideration of the various rate proposals in the current case. Accordingly, the Postal Service is committed to producing information that will meet the Commission's needs and interests in the most timely and practical manner possible. Nevertheless, we are still faced with what appears to be an unrealistic expectation that a complete update of MPA/ANM-LR-3, as well as the other information requested, can be provided by October 16.¹ We can, furthermore, affirm the Presiding Officer's speculation in POIR No. 19 that duplicating the data for all of the original publications surveyed might not be possible, and that data for substitute publications will be needed.

The Postal Service has begun working on its response. At the present time, we can estimate that, for those publications for which data exist in the PostalOne eVS System (approximately 100 of the original 251 publications), data reflecting a period of

¹ Interrogatory TW/USPS-T35-11(c-d) implies that the Postal Service was able to provide similar data within three weeks during Docket No. C2004-1. The Postal Service notes, however, that those data had already been gathered and entered into a database earlier as part of an ongoing mail characteristics study. Those fortuitous circumstances do not apply now.

time since application of the new 24-piece requirement should be able to be collected within a couple of weeks. These publications generally will be the medium to large publications from the Docket No. C2004-1 database. We should also note that approximately 50 medium and large publications consist of publications which have been transferred to printers that do not use the PostalOne eVS system, publications for which the Destinating Mail Unit is no longer on the eVS system, or publications that are no longer in print. In place of those publications, we plan to select substitute publications of similar size and presort characteristics for which data exist in the PostalOne database. We should be able to provide data for those publications within the same time period. Consequently, for approximately 60 percent of the original 251 publications or substitutes, we should be able to provide updated data within the time period originally contemplated in POIR No. 19. We will therefore plan to file those data, if possible, on October 16.

For the remaining approximately 100 publications from the original sample (or substitutes), updated data must be located by contacting the field location for each publication. The field will need to identify the appropriate publication, obtain recent data for it, and transmit the data (a qualification report and postage statement) to our contractor for processing. If, within a few days, we determine that updated data for a specified publication are not available, either because the publication is no longer in print, or because the data cannot be readily located, we will try to identify a suitable substitute publication.

Based on past experience, we expect to spend about 4 labor hours for each small publication. This includes one hour of calls to the site to find the proper person to

provide the data, explain the request, and complete follow-up calls related to misunderstandings, then two hours to reconcile the qualification report to the postage statement, discern Outside County from Within County data, contact the site for clarification, and make corrections, followed by another hour for data entry and analysis.

The Postal Service notes that the data for specific publications are not archived or otherwise saved after mailings are completed. Therefore, in most cases, data will not be available until the next mailing by a specified publication. Because of the time constraints, the Postal Service may choose substitutes for publications, especially quarterly or bimonthly ones, for which the next mailing is not expected within a few weeks.

The Postal Service's contractor has begun making contacts with the entry offices of those publications included among the approximately 40 percent of publications for which field surveys must be conducted. We will have a refined understanding of the delay caused by the need to develop updates within the next few days, and will provide a status report on the additional time that will be needed as soon as information is available, hopefully early next week.

Regarding the prospect of delay, we note that one alternative approach to supplementing the information that we will file on October 16 would be to collect data through field surveys only for those publications whose mailings are likely to have been affected significantly by the new 24-piece requirement. In this regard, we estimate that only about 30 of the approximately 100 publications for which data must be collected from the field have mailing profiles with an average pieces-per-sack characteristic below 24 pieces. If the aim of requesting the information is to assess the impact of proposed

rates on publications likely to have been affected by the 24 piece rule, it might be possible to look at only those publications. Collecting data for a subset consisting of the publications likely to have been affected by the rule change, according to the average pieces-per-sack measure, would likely take significantly less time.

In light of the above explanation concerning the practical limitations on strictly complying with the letter of POIR No. 19, the Postal Service believes that it would be important to learn any concerns or reservations that the Presiding Officer or intervenors might have about the plan outlined above. The Postal Service is particularly concerned about questions that might be raised about the suitability of substitute publications chosen to respond to this POIR. The Postal Service also believes that the impact of different rate proposals should not be considered in isolation from the impact of the 24-piece sacking rule. Meeting the 24-piece rule has already led to postage increases for many publications, especially small publications, because larger sacks often are presorted less finely, and thus no longer qualify for lower presort rates under the 24-piece rule. The end result for these customers therefore would be the cumulative impact of both the prospective increase and the new sacking rule.

In summary, the Postal Service has begun work on its response and expects to have the updated data available to file on October 16 for approximately 150 of the 251 publications originally surveyed (or substitutes). For the remaining approximately 100 publications (or substitutes) for which field surveys will need to be conducted, we will provide a more refined estimate of delay early next week. As an alternative approach, updated data for approximately 30 publications having mailing profiles reflecting an average of less than 24 pieces per sack could be provided in less time.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1134
(202) 268-2986; Fax -6187