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RESPONSE OF MPA/ANM WITNESS GLICK
TO USPS/MPA/ANM-T2-1

MH/MPA/ANM-T2-1. With respect to your testimony at page 2 lines 21-25, please explain fully whether and why it would be a “perverse result” if the percentage rate increases faced by worksharing mailers are similar to the percentage rate increases of non-worksharing mailers, assuming that the worksharing mailers currently pay lower postage per piece than the non-worksharing mailers.

RESPONSE

The result that I described as “perverse” related to a comparison of the rate increases for publications depending on whether they are commingled or not. It was not intended to refer to all types of worksharing. Whether it is a perverse result for other types of worksharing would depend on the particular circumstances.

I described the result discussed in my testimony as perverse because it suggests that the Postal Service has not significantly increased the postage discounts offered for commingling and dropshipping publications. See, e.g., MPA/ANM-T-2, Table 3 and response to ABM/MPA/ANM-T2-33.

Given the Postal Service’s recognition that “progress towards a more cost-based structure is both possible and necessary to increase efficiencies in the Periodicals rates” (MPA/USPS-T35-6), that discounts related to palletization and dropshipping (as evidenced by the introduction of editorial pound dropship discounts and a container charge) were a focus of the Postal Service proposal, and that current discounts related to palletization and dropshipping do not pass

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through all of the cost savings from performing these activities, I would have expected much larger increases in the postage discounts offered for commingling and dropshipping periodicals.

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TO USPS/MPA/ANM-T2-2

MH/MPA/ANM-T2-2. With respect to your testimony at page 6 lines 10-15 that replacing the USPS-proposed container charge with your proposed pallet discount would “avoid imposing disproportionate impacts on any publications that are entered in smaller-than-average sacks,” please explain fully whether such publications could incur a greater adverse rate impact from the increased piece rates resulting from your proposed pallet discounts than from the USPS-proposed container charge.

RESPONSE

According to USPS-LR-L-126, the 85-cent container charge provides approximately the same incentive to palletize as 1.9-cent pallet discount. Given this, if I had proposed a 1.9-cent pallet discount, the rate impact from the increased piece rates resulting from the pallet discount on smaller-than-average sacks would be less than the impact of the USPS-proposed container charge.

However, to provide further incentives for commingling and dropshipping, the MPA/ANM proposal includes a 2.7-cent pallet discount, not a 1.9-cent pallet discount. Because the incentive is larger, the pallet discounts proposed by MPA and ANM will result in more impact on some publications using smaller-than-average sacks.

One of the reasons that Ms. Cohen and I decided to provide increased incentive to palletize in the form of a per-piece pallet discount (rather than through a larger container charge) was our concern about the impact of increasing the container charge on publications in smaller-than-average sacks.

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To provide an average 2.7-cent per-piece incentive to palletize in the form of a container charge, we would have needed to increase the container charge to \$1.15. This would equal a per-piece charge of nearly four cents for pieces entered in 30-piece sacks and a per-piece charge of more than ten cents for a 10-piece uncontainerized bundle entered at a DDU.

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RESPONSE OF MPA/ANM WITNESS GLICK
TO USPS/MPA/ANM-T2-3

MH/MPA/ANM-T2-3. With respect to your testimony at page 11 lines 6-9 that “by replacing the container rate proposed by the Postal Service with a per-piece pallet discount, our rate design provides a significant incentive to palletize, while eliminating the risk that some publications could be saddled with much larger container-based charges,” please explain fully whether the container rate proposed by the Postal Service could provide a greater incentive for a publication to switch from sacks to pallets than your proposed per-piece pallet discount.

RESPONSE

In general, the container rate proposed by the Postal Service would provide less incentive to palletize than the pallet discount we are proposing. However, for pieces in small sacks, the container rate would be large, thus increasing the effective discount for moving to pallets. We believe that our proposed pallet discount is preferable because it provides more incentive to palletize most publications while limiting the maximum increase that a publication could experience from it.

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RESPONSE OF MPA/ANM WITNESS GLICK
TO USPS/MPA/ANM-T2-4

MH/MPA/ANM-T2-4. Please explain fully whether, in your view, a per-piece pallet discount is presently the best way to encourage movement of Periodicals mail from sacks to pallets, as opposed to a weight-based pallet discount or some form of container-based charge(s) or some other rate design, whether in conjunction with a per-piece pallet discount or otherwise.

RESPONSE

I chose a per-piece pallet discount for practical reasons: it allowed me to provide a significant discount to palletize while also limiting the upper-end impact of the rate design. Also, this approach is feasible for the Postal Service to administer, given that it is currently administering per-piece pallet and co-pallet discounts. Thus, I believe that the per-piece approach appropriately balances these considerations. In the absence of impact and implementation considerations, other approaches to move mail from sacks to pallets may be preferable.

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RESPONSE OF MPA/ANM WITNESS GLICK
TO USPS/MPA/ANM-T2-5

MH/MPA/ANM-T2-5. Please (a) specify the piece/pound revenue split under the MPA/ANM-proposed rates and (b) explain fully why you propose at page 30 lines 10-12 to allocate the nontransportation destination entry cost avoidance “50% on the piece side/50% on the pound side”.

RESPONSE

- (a) Approximately 63%/37%.

- (b) See my response to USPS/MPA/ANM-T2-14(a).

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RESPONSE OF MPA/ANM WITNESS GLICK
TO USPS/MPA/ANM-T2-6

MH/MPA/ANM-T2-6. With respect to the request in Presiding Officer's Information Request No. 19, page 3, that MPA/ANM "provide calculations of the percentage changes of . . . [its] proposal[] on the 251 publications using . . . more recent data", please provide for each such publication (using the more recent data) the cents-per-piece postage cost (a) under the present rates, (b) under the MPA/ANM-proposed rates, and (c) under the USPS-proposed rates.

RESPONSE

I will provide, in accordance with the schedule established in Presiding Officer's Ruling No. R2006-1/81, the requested information under protective conditions for the publications for which the Postal Service provides data.

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RESPONSE OF MPA/ANM WITNESS GLICK
TO MH/MPA/ANM-T2-7

MH/MPA/ANM-T2-7. For purposes of gauging the impact of the MPA/ANM-proposed rate design and rates, please provide three modified versions (non-binding) of the MPA/ANM-proposed rate design and rates, each designed to recover approximately the same revenue as those proposed rates, as follows: (a) one version that eliminates only the proposed 5-digit pallet discount, with corresponding adjustments to piece rates; (b) another version that eliminates both the proposed 5-digit pallet discount and the proposed per-piece pallet discount, and substitutes an 85-cent container charge as proposed by the Postal Service, with corresponding adjustments to piece rates; and (c) another version in which the only changes are to set the unzoned editorial pound charge at 75% of the Zone 1&2 advertising pound charge, with the revenue leakage spread over (recovered from) pound charges in a manner that you deem reasonable and that you explain.

RESPONSE

See Table MH/MPA/ANM-T2-7 on the next page. Note that the pound rates provided in response to subparts (a) and (b) of this interrogatory are similar to, but not exactly the same as in MPA/ANM-LR-1. This is because, due to rounding, the piece rates for the requested rate designs do not generate exactly the same revenue as the piece rates in the MPA/ANM rate design. This, in turn, affects the revenue required from pound rates.

Also, note that I achieved the relationship between the Zones 1&2 advertising pound charge and the unzoned editorial pound rate specified in subpart (c) by increasing the editorial pound rate adjustment (MPA/ANM-LR-2, worksheet "Pound Data_Ed", cell C8). I offer no opinion on the reasonableness of this approach to achieve the specified relationship.

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| Table MH/MPA/ANM-T2-7 | | | |
|--|----------|----------|----------|
| Regular Rate | a | b | c |
| Advertising Pounds | | | |
| Destinating Delivery Unit | \$0.186 | \$0.184 | \$0.195 |
| Destinating SCF | \$0.231 | \$0.229 | \$0.240 |
| Destinating ADC | \$0.255 | \$0.253 | \$0.264 |
| Zones 1&2 | \$0.295 | \$0.293 | \$0.304 |
| Zone 3 | \$0.317 | \$0.315 | \$0.326 |
| Zone 4 | \$0.374 | \$0.372 | \$0.383 |
| Zone 5 | \$0.460 | \$0.458 | \$0.469 |
| Zone 6 | \$0.550 | \$0.549 | \$0.559 |
| Zone 7 | \$0.660 | \$0.658 | \$0.669 |
| Zone 8 | \$0.753 | \$0.751 | \$0.762 |
| Editorial Pounds | | | |
| Destinating Delivery Unit | \$0.150 | \$0.149 | \$0.141 |
| Destinating SCF | \$0.186 | \$0.185 | \$0.177 |
| Destinating ADC | \$0.205 | \$0.204 | \$0.196 |
| Editorial Pound Rate (All other Zones) | \$0.237 | \$0.236 | \$0.228 |
| Science of Agriculture Rates | | | |
| Advertising Pounds | | | |
| SOA Destinating Delivery Office | \$0.140 | \$0.138 | \$0.146 |
| SOA Destinating SCF | \$0.173 | \$0.172 | \$0.180 |
| SOA Destinating ADC | \$0.192 | \$0.190 | \$0.198 |
| SCI. OF AGRICULTURE ZONES 1&2 | \$0.221 | \$0.220 | \$0.228 |
| Editorial Pounds | | | |
| SOA Destinating Delivery Office | \$0.113 | \$0.111 | \$0.105 |
| SOA Destinating SCF | \$0.140 | \$0.139 | \$0.133 |
| SOA Destinating ADC | \$0.155 | \$0.153 | \$0.147 |
| SCI. OF AGRICULTURE ZONES 1&2 | \$0.178 | \$0.177 | \$0.171 |
| Presort Rates | | | |
| BASIC NON-AUTOMATION | \$0.444 | \$0.420 | \$0.446 |
| BASIC AUTOMATION LETTER | \$0.340 | \$0.316 | \$0.342 |
| BASIC AUTOMATION FLAT | \$0.410 | \$0.386 | \$0.412 |
| 3-DIGIT NON-AUTOMATION | \$0.386 | \$0.362 | \$0.388 |
| 3-DIGIT AUTOMATION LETTER | \$0.300 | \$0.276 | \$0.302 |
| 3-DIGIT AUTOMATION FLAT | \$0.354 | \$0.330 | \$0.356 |
| 5-DIGIT NON-AUTOMATION | \$0.305 | \$0.281 | \$0.307 |
| 5-DIGIT AUTOMATION LETTER | \$0.236 | \$0.212 | \$0.238 |
| 5-DIGIT AUTOMATION FLAT | \$0.282 | \$0.258 | \$0.284 |
| CARRIER ROUTE BASIC | \$0.208 | \$0.184 | \$0.210 |
| CARRIER ROUTE HIGH DENSITY | \$0.184 | \$0.160 | \$0.186 |
| CARRIER ROUTE SATURATION | \$0.153 | \$0.129 | \$0.155 |
| PERCENTAGE EDITORIAL DISCOUNT | -\$0.086 | -\$0.086 | -\$0.086 |
| WKSHARING DISCNTDELIVERY OFFICE ENTRY | -\$0.019 | -\$0.019 | -\$0.019 |
| WKSHARING DISCNT SCF ENTRY | -\$0.012 | -\$0.012 | -\$0.012 |
| WKSHARING DISCNT ADC ENTRY | -\$0.007 | -\$0.007 | -\$0.007 |
| WKSHARING DISCNT 5-DIGIT PALLET | \$0.000 | \$0.000 | -\$0.015 |
| WKSHARING DISCNT PALLET | -\$0.027 | \$0.000 | -\$0.027 |
| CONTAINER RATE | \$0.000 | \$0.850 | \$0.000 |
| PER RIDE-ALONG PIECE | \$0.146 | \$0.146 | \$0.146 |

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RESPONSE OF MPA/ANM WITNESS GLICK
TO USPS/MPA/ANM-T2-8

MH/MPA/ANM-T2-8. Please explain fully why your rate proposal does not differentiate between machinable and non-machinable mail pieces

RESPONSE

Because of time and resource constraints, I accepted many aspects of the Postal Service's rate design, and limited my review of the Postal Service's rate design to discounts that relate to containerization, dropshipping, and commingling. The absence of a rate differential between machinable and non-machinable pieces was one of the aspects of the Postal Service's proposal that I accepted.