

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

COMPLAINT OF TIME WARNER INC ET AL.  
CONCERNING PERIODICALS RATES

Docket No. C2004-1

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
TIME WARNER ET AL. WITNESS STRALBERG  
(USPS/TW ET AL.-T2-1-26)

Pursuant to rules 25 through 27 of the Rules of Practice and Procedure, the United States Postal Service hereby directs the following interrogatories and requests for production of documents to Time Warner Inc. et al. witness Stralberg:  
USPS/TW et al.-T2-1-26.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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/s/ \_\_\_\_\_  
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**USPS/TW et al.-T2-1.** Between the time that you became aware that you would testify in this proceeding and today, did you conduct any field observations of flats mail processing, distribution, and delivery activities at postal facilities? If your response to this question is yes, please list the dates, facility type, facility location, and tasks observed. Please provide any copies of notes that you may have taken during those observations.

**USPS/TW et al.-T2-2.** Between the time that you became aware that you would testify in this proceeding and today, did you conduct any field observations of flats printing, binding, mail preparation, and distribution activities at mailer facilities? If your response to this question is yes, please list the dates, mailer names, facility names, facility locations, and tasks observed. Please provide any copies of notes that you may have taken during those observations.

**USPS/TW et al.-T2-3.** On page ii of your testimony you state, "[w]hereas my original analysis concluded that there was no need to apply a CRA adjustment to piece sorting costs, it now becomes necessary to use one for piece sorting costs as well as bundle, sack and pallets costs."

(a) Please state the costs (piece distribution, bundle, sack and pallet costs) to which you originally applied a CRA adjustment and why.

(b) Please state the costs (piece distribution, bundle, sack and pallet costs) to which you have applied a CRA adjustment factor in your revised testimony. In cases where your use of an adjustment factor changed, please explain why.

**USPS/TW et al.-T2-4.**

(a) Do you believe that a cost estimate which measures a total Periodicals mail processing unit cost would exhibit a higher degree of accuracy level than cost estimates which have been developed for subcomponents such as piece distribution, bundle processing, pallet processing and sack processing activities? Please explain your answer.

(b) Do you believe that the piece distribution cost estimates you provide in Exhibit B are 100 percent accurate? If so, please explain why. If not, please provide an estimate of the accuracy level of the piece distribution cost estimates.

(c) Do you believe that the bundle cost estimates you provide in Exhibit B are 100 percent accurate? If so, please explain why. If not, please provide an estimate of the accuracy level of the bundle cost estimates.

(d) Do you believe that the sack cost estimates you provide in Exhibit B are 100 percent accurate? If so, please explain why. If not, please provide an estimate of the accuracy level of the sack cost estimates.

(e) Do you believe that the pallet cost estimates you provide in Exhibit B are 100 percent accurate? If so, please explain why. If not, please provide an estimate of the accuracy level of the pallet cost estimates.

**USPS/TW et al.-T2-5.** On page 3, lines 4-7 of your testimony, you state, "I believe rates developed on the basis of this information, as described in the testimony of witness Mitchell, will give both large and small mailers incentives to improve their mail preparation and entry practices, thus reducing Periodicals postal costs."

(a) Would you classify the five complainants as "large" mailers? If not, how would you classify them?

(b) Please confirm that some mailers may not change their mail preparation and entry practices in response to the "incentives" you describe. If not confirmed, please explain.

(c) In general, do you believe that large mailers are more likely to change their mail preparation and entry practices in response to the proposed "incentives" than smaller mailers? If not, please explain.

**USPS/TW et al.-T2-6.** On page 6, lines 4-7, you state, "[s]uch charges would, in my opinion, quickly reduce the fairly widespread practice among Periodicals mailers of sending sacks with only one or a few pieces in them through the postal system."

(a) Please list the reasons why you feel Periodicals mailers are currently engaged in this "fairly widespread practice."

(b) For each reason in the list, please discuss whether there are any characteristics of those mailers engaged in the practice that distinguishes them from those mailers not engaged in the practice (e.g., size of mailer).

(c) In footnote 4 of your testimony you state, "If given correct price signals that require them to bear the costs of choosing such practices, however, chances are that mailers will avoid such practices in almost all cases." Did you survey mailers to see why they currently enter skin sacks and whether or not they would stop doing so were the rate schedule proposed by witness Mitchell (TW et al.-T-1, page 43) to be adopted and implemented? If not, what is your basis for forming the conclusion in footnote 4.

**USPS/TW et al.-T2-7.**

(a) Did you evaluate the impact that site-specific Periodicals mail volumes have on piece distribution costs? If so, please provide the results of that evaluation.

(b) Please confirm that witness Mitchell's proposed rate schedule (TW et al.-T1-1, page 43) could reduce the amount of Periodicals mail processed in some piece distribution operations. If not confirmed please explain.

(c) If witness Mitchell's proposed rate schedule (TW et al.-T1-1, page 43) were implemented, and additional Periodicals mail bypassed piece distribution operations, please confirm that it is even more likely that some facilities would not find it cost effective to process Periodicals on postal equipment due to volume considerations, such that this mail would have to be processed manually. If not confirmed, please explain.

(d) Please confirm that if a greater percentage of mail were ultimately processed manually in a given operation as a result of the witness Mitchell's proposed rate schedule (TW et. al.-T-1, page 43) being implemented, the unit piece distribution costs would increase for those mail pieces requiring piece distribution in that operation. If not confirmed, please explain.

**USPS/TW et al.-T2-8.** The Postal Service will soon deploy the Automated Package Processing System (APPS), which can be used to process flats bundles.

(a) Did you analyze the impact that the APPS would have on bundle sorting costs? If so, please provide the results of that analysis.

(b) Did you analyze the extent to which the APPS is compatible with current postal mail preparation requirements and mailer preparation methods? If so, please provide the results of that analysis.

**USPS/TW et al.-T2-9.** On page 5, lines 24-27 you state, "[s]ack related costs include the cost of sorting sacks, either on mechanized sack sorters or manually, loading and unloading sacks from trucks, moving them across postal platforms and workroom floors, opening sacks, shaking out their contents, putting aside empty sacks and recycling them for further use by mailers."

(a) Please confirm that the configuration of a specific postal processing facility (e.g., single story vs. multiple story, available staging space, platform location and configuration, etc.) would affect sack processing costs at that facility. If not confirmed, please explain.

(b) Please confirm that the sack costs you develop in your testimony reflect the average sack cost characteristics exhibited by the wide spectrum of postal facilities. If not confirmed, please explain.

(c) If periodicals, on average, were entered at facilities with characteristics producing above average sack cost (e.g., a greater than average distance were traveled within a given plant), would that increase the sack costs above the costs presented in your testimony? Please explain your answer.

**USPS/TW et al.-T2-10.** On page 6, lines 11-12 of your testimony, you state, "[p]allets incur costs as they are moved on or off trucks, across platforms and across the workroom floor to the bundle sorting area where the pallet's contents are distributed."

(a) Please confirm that the configuration of a specific postal processing facility (e.g., single story vs. multiple story, available staging space, platform location and configuration) would affect pallet processing costs at that facility. If not confirmed, please explain.

(b) Please confirm that the pallet costs you develop in your testimony reflect the average pallet cost characteristics exhibited by the wide spectrum of postal facilities. If not confirmed, please explain.

(c) If periodicals, on average, were entered at facilities with characteristics producing above average pallet costs (e.g., a greater than average distance were traveled within a given plant), would that increase the pallet costs above the pallet costs presented in your testimony? Please explain your answer.

**USPS/TW et al.-T2-11.** On page 6, line 16 you state, "[u]se of pallets generally causes fewer costs than if the flats are entered in sacks." In your analysis, did you find any circumstances or instances in which flats on pallets cost more than comparable flats in sacks, at a given presort level? If so, please describe those circumstances or instances.

**USPS/TW et al.-T2-12.** On page 8, lines 1-2 of your testimony, you state, "[t]he current bundle minimums are six pieces for Periodicals flats and ten for Standard flats. Postal officials have been known to argue that both minimums should be raised."

(a) Please confirm that bundle size is a bundle cost driver. If not confirmed, please explain.

(b) Please confirm that bundles size is not accounted for in the rate schedule proposed by witness Mitchell (TW et al.-T-1, page 43). If not confirmed, please explain.

(c) In the course of developing this proposal, did the complainants consider incorporating bundle size ranges into the rate schedule? If not, please explain why not.

(d) Please confirm that bundle breakage is a bundle cost driver. If not confirmed, please explain.

(e) Please confirm that the specific materials used to secure bundles affect the bundle breakage rates in postal facilities. If not confirmed, please explain.

(f) Please describe the materials that mailers use to prepare and secure bundles and the impact that these materials have on postal bundle breakage rates, based on your experiencing assisting with the analysis contained in Docket No. R2000-1, USPS LR-I-297 (as described on page 1, lines 22-27 of your testimony).

(g) Please confirm that the materials mailers use to secure bundles are not simply a function of postal equipment and operations requirements, but are also a function of the equipment and operations requirements at the mailers' plants. If not confirmed, please explain.

(h) Please confirm that bundling materials are not accounted for in the rate schedule proposed by witness Mitchell (TW et al.-T-1, page 43). If not confirmed, please explain

(i) In the course of developing this proposal, did the complainants consider incorporating bundling materials into the rate schedule? If not, please explain why not.

(j) Please confirm that if piece minimums were raised, the average weight of bundles would increase. If not confirmed, please explain.

(k) Please confirm that if the average weight of bundles increases, the bundle breakage rates would tend to increase. If not confirmed, please explain.

(l) Have you conducted, or are you aware of any studies which have been conducted, in which the impact of bundle size or weight on bundle breakage rates, bundle costs, or piece distribution costs was analyzed?

(m) Are you aware of any studies that attempted to determine the point at which larger bundles may become problematic because the additional weight results in higher bundle breakage rates and piece distribution costs that outweigh the lower bundle distribution costs (in per-piece terms) associated with larger bundles? If so, please provide the results of those studies.

(n) Please confirm that bundle activities can affect piece distribution costs due to the fact that bundles can break. If not confirmed, please explain.

(o) On page 10, lines 15-18 you state, "LR-I-332 also estimates the costs of bundle breakage and presents them as per-bundle costs. I have defined them instead as per-piece costs. Most of the extra costs incurred when a bundle breaks prematurely are due to the additional piece sorting required for the previously bundled pieces." If bundle characteristics do, in fact, affect piece

distribution costs, please explain why it is appropriate to measure separate and distinct bundle and piece distribution costs, which are, in turn, used to support separate and distinct rates.

**USPS/TW et al.-T2-13.** On page 10 of your testimony, you describe the mail preparation rules in which palletized periodicals are always assessed rates based on the bundles presort level, whether the mail pieces are barcoded or not, while sacked periodicals are assessed bundle-based rates only if the mail pieces are barcoded. Please confirm that the Postal Service could impact costs by changing these mail preparation rules without having to adopt and implement the rate schedule proposed by witness Mitchell (TW et al.-T-1, page 43). If not confirmed, please explain.

**USPS/TW et al.-T2-14.** On page 10, lines 2-4 you state, "For palletized flats, the presort rate level is defined by bundle presort; the presort level of the pallet is ignored, even though it has a major impact on postal costs."

(a) Please confirm that the container presort level affects the bundle processing costs as you measure them. If not confirmed, please explain.

(b) Assuming that the container presort level does affect the bundle processing costs as you measure them, please explain why it is appropriate to measure separate and distinct container and bundle processing costs, which are, in turn, used to support separate and distinct rates.

(c) Please confirm that the container presort level affects the piece distribution costs as you measure them. If not confirmed, please explain.

(d) Assuming that the container presort level does affect the piece distribution costs as you measure them, please explain why it is appropriate to measure separate and distinct container and piece distribution costs, which are, in turn, used to support separate and distinct rates.

**USPS/TW et al.-T2-15.** On page 9 of your testimony you state, "[n]ot recognized is machinability of the mail pieces, even though machinability has become much more important with the advent of the AFSM-100."

(a) Please confirm that machinability is reflected in your cost estimates found in Table B3a. If not confirmed, please explain.

(b) If some mail pieces within a given mailing are assessed rates from one of the "machinable" cells in Table B3a, but those mail pieces are ultimately processed in a postal facility that does not contain an AFSM100, do you believe that the rates for those mail pieces would reflect their costs? Please explain your answer.

**USPS/TW et al.-T2-16.** On page 10, line 15, through page 11, line 2, you discuss how you treated piece distribution costs that were incurred as a result of bundle

breakage. Please describe all assumptions within your models concerning bundle breakage rates, including the sources used for those rates.

**USPS/TW et al.-T2-17.** On page 17, lines 27-29, you state "[b]ecause of the rapid growth in Periodicals processing costs since the previous rate case, on top of years of large, unexplained increases before that, another large increase seemed inevitable." According to the Postal Service version of the CRA, the marginal Periodicals unit costs over the past 10 years are as follows:

<u>YEAR</u>	<u>OUTSIDE COUNTY UNIT COSTS</u>	<u>PERCENT INCREASE FROM PREVIOUS FY</u>
FY1994	17.3 cents	---
FY1995	18.2 cents	5.2%
FY1996	19.4 cents	6.7%
FY1997	20.1 cents	3.4%
FY1998	21.3 cents	6.0%
FY1999	23.4 cents	10.0%
FY2000	23.2 cents	(0.9%)
FY2001	24.0 cents	3.5%
FY2002	24.4 cents	1.7%
FY2003	24.0 cents	(1.6%)

(a) Please confirm that these figures are correct. If not confirmed, please provide what you feel are the correct figures.

(b) Please confirm that Periodicals Outside County marginal unit costs have leveled off since FY 1999. If not confirmed, please explain.

(c) In Docket No. R2001-1, Postal Service operations witness Kingsley stated that the AFSM100 Phase I deployments had been completed at the time the case was filed (September 2001) and that Phase II deployments would be completed by April 2002 (please see USPS-T-39 p. 15 at 21-23). Given this statement, as well as the fact that wages generally increase over time, isn't it possible that the AFSM100 deployments, as well as other recent cost containment measures, may have had a positive impact when it comes to containing Periodicals costs? Please explain your answer.

**USPS/TW et al.-T2-18.** Within the TW et al. LR-1 "cost\_variables.xls" workbook on the "Productivities" spreadsheet, you rely on a productivity of 428.16 pieces per hour for the "Sack Sorter (PIRS 98)." This figure measured sack sorting costs at BMCs only. Did you measure a productivity figure for mechanized sack sorters housed at Processing and Distribution Centers / Facilities (P&DC/F) and, if so, did you incorporate that into your model as well? If so, please discuss where this information is located and how it was incorporated into the model.

**USPS/TW et al.-T2-19.** On page 22 lines 13-16 of your testimony, you state, "[b]ut having measured overall productivity rates at these operations is not sufficient for our purposes, because those productivity rates represent other work besides the actual bundle sorting, such as opening sacks and shaking out their contents onto a moving belt, disposing of the sacks, dumping pallets, etc."

(a) Please confirm that postal data collection systems, such as MODS, only collect information pertaining to the "overall productivities" that you describe. If not confirmed, please explain.

(b) On page 23, lines 18-19, you state, "[a]nalysis by the LR-I-332 team, based on LR-I-88, indicated that 43.41% of mechanized bundle sorting hours are spent actually sorting bundles." Please describe how that figure was developed.

(c) If the rates proposed by witness Mitchell (TW et al.-T-1, page 43) were implemented, presumably the cost studies upon which the rates were based would have to be updated periodically. Given that data such as the 43.41% from LR-I-88 and manual bundle sorting productivities you describe could not be obtained directly from normal postal data collection systems, it is also assumed that special studies would have to be conducted periodically as well. Please describe how you propose these data would be collected, including the sample sizes involved and the frequency with which these figures should be updated.

**USPS/TW et al.-T2-20.** In footnote 17 of your testimony you state, "[i]n manual sorting from a pallet, the bundles are not dumped onto a belt but lifted from the pallet and thrown directly into the containers for which they are intended."

(a) When is the last time you observed bundle sorting operations in postal facilities, and in which facility(ies) did this occur?

(b) Are you aware that some facilities dump pallets onto non-SPBS conveyors (e.g., "model 89" conveyors), which are staffed with employees that sort the bundles into nearby rolling stock?

**USPS/TW et al.-T2-21.** On page 25, lines 7-9 of your testimony, you state, "[w]hen a bundle breaks prematurely, it spends less time in the system as a bundle, leading to lower per-bundle costs, as well as higher per-piece costs."

(a) Please confirm that in some facilities, during some bundle sorting operations, whether mechanized or manual, employees have been instructed to rebundle mail pieces from broken bundles, when it is possible to maintain the integrity of the original bundle. If not confirmed, please explain.

(b) How did your analysis of bundle breakage account for the fact that postal employees will, on occasion, attempt to rebundle mail pieces from bundles that have broken?

**USPS/TW et al.-T2-22.** On page 26, line 7 of your testimony, you describe a conversion factor which assumes that 52.45 bundles can be placed in an OWC.

(a) How do you define an OWC? Does this term refer to a 1042 hamper, u-cart, APC/GPMC, or some other container?

(b) Does "OWC" represent an average of the many types of rolling stock used throughout postal facilities?

(c) Please explain how the 52.45 bundle per OWC figure was developed.

(d) On page 26, lines 8-9, you state, "[i]n reality, of course, the number of bundles in a full container depends on the number of pieces per bundle and on the size of those pieces." Please confirm that it would be possible to develop such container conversion factors for ranges of bundle sizes and/or mail piece sizes. If not confirmed, please explain.

(e) Please confirm that it would also be possible to develop these conversion factors for the many types of rolling stock relied upon to process mail at postal facilities? If not confirmed, please explain.

(f) In the type of cost study which you have conducted, where do you think it is safe to draw the line when it comes to the de-averaging of container conversion inputs, without jeopardizing the results of that study? Is it safe to just use an average number of bundles per average container, or should container conversion factors be developed for all possible bundle sizes/shapes and postal rolling stock combinations?

(g) Given that container conversion factors could not be obtained directly from normal postal data collection systems, presumably special studies would have to be conducted periodically to collect this information. Please describe how you propose these data be collected, including the sample sizes involved and the frequency with which these figures should be updated.

**USPS/TW et al.-T2-23.** Due to the space requirements associated with bundle sorting operations (including the SPBS), the 035 prep operation, and flats sorting equipment, some postal facilities have relocated those operations to annexes. How are postal annexes incorporated into your analysis?

**USPS/TW et al.-T2-24.** On page 28, lines 23-25 of your testimony, you state, "[g]enerally, mailings entered at SCF's or BMC's are unloaded onto the platform by USPS employees, adding to their costs. At delivery units (AO's, stations and branches) unloading is generally done by the mailers." What is your basis for these statements? Did you attempt to conduct a survey or analysis in order to determine

the percentage of mailings that are unloaded by postal employees by facility type? If so, please provide the results of that analysis.

**USPS/TW et al.-T2-25.** On page 29, lines 2-3 of your testimony, you state, "[b]ut this is based on BMC data, BMC's being large facilities with large distances between inbound and outbound docks." Are you aware that many BMC's have had expansions in recent years, in some cases to specifically accommodate cross docking operations? If so, please explain how these changes have been incorporated into your analysis.

**USPS/TW et al.-T2-26.** On page 30, lines 21-25 of your testimony, you state, "[f]or this reason, I may have underestimated the cost of operations such as shaking out a sack. .... On the other hand, I may have overestimated the costs of some pallet operations at non-BMC facilities, particularly cross docking." Please confirm that the impact of the underestimation and overestimation examples that you describe do not cancel themselves out in terms of how they affect witness Mitchell's proposed rate schedule (TW et al.-T-1, page 43), as the former example affects the sack rate cells, while the latter affects the pallet rate cells. If not confirmed, please explain.

### CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

/s/  
David H. Rubin

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