POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YACOBUCCI TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA (MPA/USPS-T25—1-7)

The United States Postal Service hereby provides the responses of

witness Yacobucci to the following interrogatories of Magazine Publishers of

America, Inc.: MPA/USPS-T25—1-7, filed on February 4, 2000.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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MPA/USPS-T25-1. Please refer to Table II-2 of your testimony and LR-I-90,
R2000_1_Flats Cost Model_Final USPS.xls.

a.   Please confirm that the unit cost figures in Table II-2 can be obtained by
running the cost model in R2000_1_Flats Cost Model_Final USPS.xls for all
scenarios for the Periodicals Regular subclass and that when you run the model
these figures appear on worksheet "Cost Averaging" under the heading
"Periodicals Regular Cost Averages - Normalized Auto-Related Savings." If not
confirmed, please explain how you developed the unit cost figures in Table 11-2.

b.   Please confirm that the unit costs in Table II-2 are based on a ten percent
bundle breakage assumption. If not confirmed, what bundle breakage
assumption did you use to develop the unit costs in Table II-2?

c.   Please confirm that setting Cell G56 of worksheet "Data" to 0% changes
the bundle breakage assumption to 0%. If not confirmed, please explain how to
change the bundle breakage assumption.

RESPONSE:

a.   Confirmed with the following clarification: the unit cost figures in Table II-2

appear on worksheet *'Cost Averaging'* under the headings "Periodicals

Regular Cost Averages – Actual" *and* "Periodicals Regular Cost Averages

– Normalized Auto-Related Savings."

b.   Confirmed.

c.   Confirmed.

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MPA/USPS-T25-2. Please refer to LR-I-90, R2000_1_Flats Cost Model_Final
USPS.xls. Please confirm that changing the bundle breakage assumption from
10% to 0% and running the model for the Periodicals Regular subclass reduces
the WEIGHTED AVERAGE MODELED UNIT VOL VAR COST on worksheet
"Scenario Costs" from 6.198 cents to 5.534 cents. If not confirmed, please
explain.

RESPONSE:

Confirmed.

MPA/USPS-T25-3. Please refer to Note (6) on Worksheet "Productivities" of LR-
I-90, R2000_1_Flats Cost Model_Final USPS.xls, where it states: "USPS
Operations. Assumed to equal FSM 881 BCR/OCR."

a.   Please confirm that this note indicates that USPS Operations told you to
assume that the productivity of an FSM 881 OCR machine is exactly the same as
that of an FSM 881 BCR/OCR machine. If not, please explain.

b.   Please explain USPS Operations' basis for this assumption.

RESPONSE:

a.   Confirmed that USPS Operations advised that the productivity of an FSM
        881 in BCR/OCR mode processing barcoded flats should be assumed to
        be the same as that of an FSM 881 in BCR/OCR mode processing
        nonbarcoded flats.

b.   It is my understanding that USPS Operations considers the throughput of
        an FSM 881 in BCR/OCR mode processing barcoded flats to be the same
        as an FSM 881 in BRC/OCR mode processing nonbarcoded flats. The
        pace of feeding the FSM 881 in BCR/OCR mode does not change if the
        piece is barcoded or not and requiring an OCR read does not slow down
        machine throughput. Hence, the respective productivities would be
        equivalent.

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MPA/USPS-T25-4. Please refer to the "Coverage Factors" and "CapacitySOP Factors" worksheets of LR-I-90, R2000_1_Flats Cost Model_Final USPS.xls. For this question, please assume that all mail processing facilities have FSM 1000s and AFSM 100s and no facilities have FSM 881s.

a.   Please confirm that the method described below is the appropriate way to model unit costs for Periodicals Regular mail under the above scenario: (1) on the "Coverage Factors" worksheet, set Cells F11 and F31 to 100% and Cells F6, F7, F8, F9, F10, F12, F13, F26, F27, F28, F29, F30, F32, and F33 to 0%; (2) on the "CapacitySOP Factors" worksheet, set Cells G29, I29, G39, and I39 to 100% and Cells G27, I27, G37, and I37 to 0%; and (3) run all scenarios for the Periodicals Regular subclass.

b.   If not confirmed, please explain in detail how to run the model so that it reflects the above scenarios.

RESPONSE:

a.   Not confirmed.

b.   The "above scenarios" reflect a hypothetical mail processing environment. It is not clear what assumptions are made regarding this hypothetical environment beyond "all mail processing facilities have FSM 1000s and AFSM 100s and no facilities have FSM 881s." Assuming that each and every facility every day has *enough machines* of each type to process all volumes, *enough time* to meet clearance times/dispatch windows, and *enough volume* to justify the machine run from the local perspective, I confirm part (a) with the following three additions:

First, regarding the *'CapacitySOP Factors'* worksheet, cells K30, K40, M31, and M41 should be set to 100% and cells K32, K42, M32, and M42 should be set to 0%.

Second, all else remains unchanged. For example, the flows of rejects,
the machinability characteristics of Periodicals mail, and the degrees to
which plants perform Incoming Secondary distribution for larger zones and
the delivery units perform Incoming Secondary distribution for smaller
zones remain unchanged.

Third, "unit costs for Periodicals Regular mail" are equivalent to
MODELED UNIT VOL VAR COST and WEIGHTED AVERAGE
MODELED UNIT VOL VAR COST figures and not equivalent to CRA-
ADJUSTED UNIT VOL VAR COST figures on worksheet 'Scenario Costs'
of USPS-LR-I-90 R2000_1_Flats Cost Model_Final USPS.xls. The CRA
mail processing unit costs on worksheet 'CRA Cost Pools' of USPS-LR-I-
90 R2000_1_Flats Cost Model_Final USPS.xls do not reflect mail
processing unit volume variable costs in this hypothetical environment.
Hence, CRA-adjusted costs developed by this method are not appropriate.

MPA/USPS-T25-5. Please refer to LR-I-90, R2000_1_Flats Cost Model_Final
USPS.xls, Worksheets "Vols-Per Reg" and "Vols-Per Non."

a. Please confirm that all "non-sacked" Periodicals Regular Rate flats are
palletized. If not confirmed, what percentage of non-sacked Periodicals Regular
Rate flats are palletized?

b. Please confirm that all "non-sacked" Periodicals Nonprofit flats are
palletized. If not, what percentage of non-sacked Periodicals Nonprofit flats are
palletized?

RESPONSE:

a. Confirmed.

b. Confirmed.

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MPA/USPS-T25-6. Please refer to LR-I-90, R2000_1_Flats Cost Model-Final
USPSxls, Worksheet "Data" and LR-I-88, FINAL_Bundle Breakage.xls.

a.   Please confirm that your model applies the ten percent bundle
breakage assumption to both sacked bundles and palletized bundles.

b.   Please specify the worksheets and cells within your model where the
model applies the ten percent bundle breakage assumption.

c.   Please explain in detail how to modify your model so that it can apply
different bundle breakage assumptions to sacked mail and palletized mail.

d.   Please confirm that your study of bundle breakage indicated that bundles
in sacks break approximately twice as often as bundles on pallets. If not
confirmed, how much more often do bundles in sacks break than bundles on
pallets?

e.   Please confirm that assuming that bundles on pallets break with the same
frequency as bundles in sacks overstates the per-piece cost (including both piece
and bundle sorting costs) of processing pieces that are presented in bundles on
pallets relative to the per-piece cost of processing pieces that are presented in
bundles in sacks. If not confirmed, please explain why you didn't confirm.

RESPONSE:

a.   Confirmed; the model does not differentiate mailflows of sacked bundles

from mailflows of palletized bundles.

b.   The model in USPS-LR-I-90 R2000_1_Flats Cost Model_Final USPS.xls

applies the ten percent bundle breakage assumption in the following

worksheets and cells:

Format: Worksheet!Cell (individual cell) or Worksheet!Cell:Cell (cell range)

Productivities!C9
Mailflow Model!I29
Mailflow Model!I46:I47

Mailflow Model!I67:I69
Mailflow Model!BA94
Scenario Data!AH3:AH49
Scenario Data!AI3:AI49
Scenario Data!AJ3:AJ49
Scenario Data!AK3:AK49
Scenario Data!AL3:AL49
Scenario Data!AM3:AM49
Scenario Data!AN3:AN49
Scenario Data!AO3:AO49
Scenario Data!AP3:AP49
Scenario Data!AQ3:AQ49

c. It is not clear what this question intends by "different bundle breakage
assumptions." If the sole assumption is to apply two distinct bundle
breakage rates across all bundle handling activities, then the explanation
provided below is suitable. If the assumption is to apply different bundle
breakage rates for different bundle handling activities, then other
significant model modifications must be made.

Modifying the model to apply two bundle breakage rates across all bundle
handling activities requires two steps. The first step is to modify the flow
of mail and to capture the modeled unit volume variable costs. The
second step is to modify the averaging of the CRA-adjusted unit volume
variable costs.

For the first step, start by entering the "sacked" and "palletized" bundle
breakage rates with labels into any unutilized cells. Modify the 'Scenario
Costs' worksheet to store modeled and CRA-adjusted unit volume variable
costs for both sacks and pallets. Modify the WEIGHTED AVERAGE
MODELED UNIT VOL VAR COST formula in cell G54 to calculate the
weighted average of the "sacked" and "palletized" modeled costs. Modify

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the CRA-adjusted unit volume variable costs columns to appropriately
apply the CRA-adjustment.

Modify the Run_All_Scenarios macro using Visual Basic to copy the
"sacked" bundle breakage rate to cell G56 on worksheet *'Data,'* run all
scenarios, copying each scenario's modeled cost to the appropriate cell in
the "sacked" modeled unit volume variable cost column on worksheet
'Scenario Costs,' copy the "palletized" bundle breakage rate to cell G56 on
worksheet *'Data,'* and run all scenarios, copying each scenario's modeled
cost to the appropriate cell in the "palletized" modeled unit volume variable
cost column on worksheet *'Scenario Costs.'*

For the second step, modify SACKED: COST * VOLUME and NON-
SACKED: COST * VOLUME formulae on worksheet *'Cost Averaging'* to
multiply the volumes by the appropriate CRA-adjusted unit volume
variable cost on worksheet *'Scenario Costs.'* Modify TOTAL: COST *
VOLUME formulae to compute accurate weighted-averages.

d.   If the question's reference to "your study of bundle breakage" specifically
        corresponds to the qualitative study in FINAL_Bundle Breakage.xls in
        USPS-LR-I-88, then confirmed.

e.   If palletized bundles break less frequently than sacked bundles over the
        life of the bundles, then confirmed.

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MPA/USPS-T25-7. Please refer to Table 9 of LR-I-87 and LR-I-90,
R2000_1_Flats Cost Model_Final USPS.xls

a.   Please confirm that approximately eighty percent of Periodicals Regular
Rate carrier-route bundles are presented on pallets. If not confirmed, what
percentage of Periodicals Regular Rate carrier-route bundles are on pallets.

b.   Please confirm that less than ten percent of ADC Nonautomation bundles
are on pallets.

c.   Please confirm that the per-piece cost difference between basic,
nonautomation pieces and Carrier Route pieces would be larger if you applied a
more-than-ten-percent bundle breakage assumption to bundles in sacks and a
less-than-ten-percent bundle breakage assumption to bundle on pallets. If not
confirmed, please explain.

d.   If you applied a 15 percent bundle breakage assumption to bundles in
sacks and a 5 percent bundle breakage assumption to bundles on pallets, what
would the cost difference between basic, nonautomation pieces and carrier route
pieces be?

RESPONSE:

a.   Confirmed.

b.   For Periodicals Regular Rate, confirmed.

c.   The modeled unit cost difference between basic, nonautomation pieces

       and carrier route pieces would tend to be larger if the assumed bundle

       breakage rates are applied at each bundle handling activity, all other

       factors remaining constant. This method of differentiating sacks and

       pallets considers containerization effects that introduce new non-

       presortation-related bias into cost differences between rate categories.

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d.   Applying the 15 percent and 5 percent bundle breakage rates across all
        bundle handling activities for Periodicals Regular, all other factors
        remaining constant, results in a Periodicals Regular Cost Average –
        Actual basic, nonautomation cost average of 23.797 cents and Periodicals
        Regular Cost Average – Actual carrier route cost average of 8.154 cents.
        The resulting cost difference is 15.643 cents. These numbers were
        derived using an approach functionally equivalent to the approach outlined
        in the response to MPA/USPS-T25-6 (c).

DECLARATION

I, David Yacobucci, declare under penalty of perjury that the foregoing

answers are true and correct, to the best of my knowledge, information, and belief.

David Yacobucci
_____
DAVID YACOBUCCI

Dated: _____2/18/00_____

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.

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