

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

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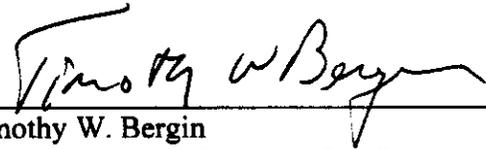
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

)
) Docket No. R2000-1
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INTERROGATORIES OF THE MCGRAW-HILL
COMPANIES, INC. TO USPS WITNESS KINGLSEY (MH/USPS-T10-1-11)
(March 22, 2000)

Pursuant to the Commission's rules of practice, sections 25-27, The McGraw-Hill Companies, Inc. directs the following interrogatories and other discovery requests to United States Postal Service witness Linda A. Kingsley (USPS-T-10). To the extent, if any, that witness Kingsley is unable to respond fully, we request that a response be provided by the person best able to do so.



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Companies, Inc.

MH/USPS-T10-1: With reference to your testimony at p. 15, lines 12-14, that “[t]he majority of incoming secondary distribution of flats is performed manually in delivery units in the current environment largely because of the shortfall in mechanized flats sorting capacity”:

a. Please explain fully why the Postal Service did not timely order sufficient flat sorting machines in order to avoid the shortfall in mechanized flats sorting capacity.

b. Please explain fully the reasons why the shortfall in mechanized flat sorting capacity at processing and distribution plants would lead the Postal Service to perform the majority of incoming secondary distribution of flats at delivery units, very few of which have any mechanized flat sorting capacity.

c. Please reconcile your answer to part b above with your testimony at p. 35, lines 10-12, that delivery units “are the least desirable alternative because they introduce an additional stop in the path between mailer and addressee,” and explain the advantages of processing the mail at the processing and distribution plant.”

d. Please reconcile your answer to part b above with your answer to ANM/USPS-T10-16 indicating a nearly 20% underutilization of FSM 881s. Isn’t fuller utilization of the FSMs a preferred and practical alternative to manual processing at delivery units?

e. Please reconcile your answer to part b above with your answer to DFC/USPS-T10-10(p) that “[o]f the plant incoming secondary distribution, approximately . . . 40% is manual.” Is the shortfall in mechanized flats sorting capacity so severe as to strain capacity for manual processing at the processing and distribution plant?

f. Please explain the extent to which, and the reasons why, “the FSM 881 is not able to efficiently process BCR sort plans,” as stated in the USPS Strategic Improvement Guide for Flats Processing, September 1999, p. 14 (USPS-LR-1-193), and explain the impact of that fact on FMBCR operations and on the costs of processing Periodicals mail.

MH/USPS-T10-2: With reference to the productivity of the FSM 881:

a. Please explain the reasons why the volume of pieces processed on FSM 881s in FY 1998 declined by more than 500 million pieces from FY 1997, as set forth in DMA/USPS-T21-2, Attachment 1.

b. Please explain the reasons why the work hours associated with FSM 881 processing in FY 1998 nevertheless increased by approximately 1.43 million over FY 1997, as set forth in DMA/USPS-T21-2, Attachment 1.

c. Please explain all of the reasons why “[d]espite the technological advances made over the past 5 years and a more favorable mail base for automation processing, productivity in both mechanized and automation flats processing operations continues to decline each year,” as set forth in USPS Strategic Improvement Guide for Flats Processing, September 1999, p. 3 (USPS-LR-1-193).

MH/USPS-T10-3: With reference to your response to DCF/USPS-T10-10(l) that "very little First-Class Mail is diverted to the manual operation due to [flat sorting] capacity constraints since First Class Mail is a small portion of flat volume [and] has priority on the FSMs":

- a. Please explain the extent to which Periodicals mail has priority on the FSMs.
- b. Please explain the reasons why "FSMs are primarily used to sort First-Class Mail and Standard Mail (A)" (USPS-T-16, p. 43, line 1), and reconcile that statement with your answer to part a. above.
- c. Please state the portion (or your best estimate of the portion) of flat mail volume in BY 1998 that is comprised of machinable, prebarcoded, non-carrier route Periodicals mail, and provide the source or basis of your answer.
- d. Please state the portion (or your best estimate of the portion) of machinable, prebarcoded, non-carrier route Periodicals mail that was processed in manual operations rather than on FSMs in BY 1998, and provide the source or basis of your answer.
- e. Please explain fully all of the reasons (in descending order of importance) why machinable, prebarcoded, non-carrier route Periodicals mail was processed in manual operations rather than on FSMs in BY 1998, and reconcile your answer to this part with answer to part a above;
- f. Please explain fully how, and by whom, the decision is typically made to process machinable, prebarcoded, non-carrier route Periodicals mail in manual operations rather than on FSMs.

MH/USPS-T10-4: With reference to the response of the Postal Service to Presiding Officer's Information Request No. 4, and the Attachment thereto:

- a. What is your best understanding of the reasons why the unit mail processing costs for Periodicals Regular Rate mail in 1998 would increase by 9.5 percent over 1997, while the unit mail processing costs for Standard A Nonprofit flats in 1998 would decline by 15.2 percent from 1997? To what extent is the increase in Periodicals costs attributable to non-automation processing of machinable, prebarcoded, non-carrier route Periodicals mail? To what extent is the cost decrease for Standard A Nonprofit flats attributable to the automation processing of such mail?
- b. What is your best understanding of the reasons why the unit mail processing costs for Periodical Regular Rate mail in 1999 would increase by 2.3 percent over 1998, while the unit mail processing costs for Standard A Regular flats in 1999 would decrease by 2.6 percent from 1998? To what extent is the increase in Periodicals costs attributable to the non-automation processing of machinable, prebarcoded, non-carrier route Periodicals mail? To what extent is the cost decrease for Standard A Regular flats attributable to the automation processing of such mail?

MH/USPS-T10-5: With reference to your testimony at p. 11, lines 6-8, that the FSM 1000 “is intended to process a vast majority of the 25-33 percent of non-carrier route flats that are not machinable on the FSM 881”:

a. Please explain fully all of the distinguishing characteristics of such flat mail (e.g., by reference to specific weight and/or dimensions, polywrap, etc.) that make it machinable on the FSM 1000 but not on the FSM 881.

b. Please confirm that the machinability limitations of the AFSM 100s are expected to be similar to the machinability limitations of the FSM 881.

c. For both BY 1998 and TY 2001, please state the extent (or your best estimate of the extent) of the shortfall, if any, in the number of FSM 1000s necessary to handle the full volume of non-carrier route flats that are machinable only on the FSM 1000, and provide the source or basis of your answer.

d. Does the Postal Service currently have, or is it considering, any plans to purchase additional FSM 1000s? If so, please describe those plans. If not, please explain fully why no such plans exist or are under consideration.

MH/USPS-T10-6: With respect to the respective throughputs of the FSM 881 and the FSM 1000:

a. Please reconcile your answer to DMA/USPS-T10-14 (throughput of FSM 881 in keying mode “ranges from 4500-5500”) with your answer to ANM/USPS-T10-20 (“maximum, sustainable throughput of the FSM 881 in a manual keying mode is approximately 10,000 pieces per hour”).

b. Please reconcile your testimony (p. 11) and interrogatory answers (ANM/USPS-T10-20, DMA/USPS-T10-14, 15) regarding the respective throughputs of the FSM 881 and FSM 1000 with the information regarding those throughputs that was provided over the past three years to the USPS/Industry Cost Task Force on Periodicals, and produce all written conclusions of that Task Force in this regard.

c. Is your testimony (p. 11, ll. 3-4) that “[t]he throughput of the FSM 881 is approximately 6,500 pieces per hour for BCR/OCR operations” consistent with the statement in the USPS Strategic Improvement Guide for Flats Processing, September 1999, p. 5 (USPS-LR-1-193) that “[t]he FSM 881 has a maximum sort rate of approximately 14,000 pieces per machine hour when using a 100-bin sort program and approximately 20,600 when using two 50-bin sort programs”? If so, please explain how the statements are consistent. If not, please explain the actual capability of the FSM 881 in this regard.

d. Please reconcile your testimony (p. 11, ll. 14-15) that “[t]he throughput of the FSM 1000 is approximately 5000 pieces per hour in BCR operations” with the statement in the USPS Strategic Improvement Guide for Flats Processing, September 1999, p. 5 (USPS-LR-1-193) that “[t]he FSM 1000 can process approximately 10,000 pieces per hour with four keyers.”

e. Please explain all reasons why the USPS obtains less than the manufacturer-specified maximum throughput for the FSM 881 and/or the FSM 1000, and produce all documents that discuss such reasons.

f. Please explain fully the extent to which, and all of the reasons why, Periodicals mail which meets the specifications of the FSM 881 is processed on the FSM 1000 instead, and explain who typically makes that decision.

MH/USPS-T10-7: With reference to your testimony on p. 34, ll. 23-26, that the processing of bundles of flats is often "an attractive candidate for relocation" to annexes to plants:

a. Please provide your best estimate of the volume of Periodicals mail processed in annexes, and explain the source or basis of your answer.

b. Please provide your best estimate of the percentage of mail processed in annexes that is comprised of Periodicals mail, and explain the source or basis of your answer.

c. Please provide your best estimates of the volumes of mail, by subclass and shape, that are processed in annexes, and explain the source or basis of your answer.

d. Please confirm that in BY 1998, Periodicals mail was more likely than other mail to be processed in an annex. Please explain the source or basis of your answer, and provide all relevant documentation.

e. Please explain the reasons (in descending order of importance) why Periodicals mail was processed in annexes in BY 1998.

f. Please confirm that a principal reason why Periodicals mail was processed in annexes in BY 1998 was to accommodate increased volumes of other mail. Please explain the source or basis of your answer.

g. Please confirm that the use of annexes for mail processing involves additional handling and transportation costs, and provide any and all information and documentation that verifies or quantifies such costs. If you do not confirm, please explain your answer.

h. Please state the number of FSM 881s and FSM 1000s that are deployed in annexes.

MH/USPS-T10-8: With reference to the statement in the USPS Strategic Improvement Guide for Flats Processing, September 1999, p. 3 (USPS-LR-1-193) that "Another alarming statistic provided through MODS indicates that in FY 97 more than 50% of all non-Carrier-Routed barcoded flats (approximately 12.9 billion in FY 97) presented by mailers at automation discount rates was processed and distributed in operations other than automation:"

a. Please provide the number and percentage of non-carrier route prebarcoded flats that were processed in non-automation operations in FY 98 and FY 99, respectively.

b. Please provide the number and percentage of non-carrier route flats that were barcoded by Periodicals mailers but processed in non-automation operations in FY 98 and FY 99, respectively.

c. Please provide all of the reasons (in descending order of importance) why so many prebarcoded flats were not processed in automation operations during this period.

d. Please provide all of the reasons (in descending order of importance) why so much prebarcoded Periodicals mail, in particular, was not processed in automation operations during this period.

e. Please explain fully the extent to which the non-automated processing of prebarcoded flats has impacted USPS estimates of workshare savings in this proceeding, and/or the level of proposed automation discounts for Periodicals mail in this proceeding. Please quantify your answer and provide sources.

MH/USPS-T10-9: With reference to your testimony (p. 14, ll. 17-19) regarding the slowed growth in FY 1998 and FY 1999 in the percentage of non-carrier route presort flats barcoded by mailers:

a. Would you have expected the growth in such prebarcoded flats to have been larger than you report for FY 1998 and FY 1999 in view of the broader machinability specifications of the FSM 1000, the deployment of FSMs with BCRs able to read barcodes through polybags, and/or other factors (please specify)?

b. If not, please explain fully. If so, please reconcile your expectation with the lower growth that you report. Please provide any and all supporting documentation, including USPS projections in the growth of prebarcoded flats.

c. In measuring the percentage of non-carrier route presort flats barcoded by Periodicals mailers, to what extent does the Postal Service rely on machine counts of such mail, rather than counts provided in documentation such as Form 3541? Are machine counts reconciled with Form 3541 totals to determine the total pieces of prebarcoded Periodicals mail, including prebarcoded Periodicals mail that is not processed by machine?

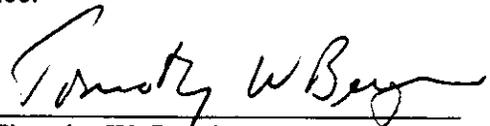
d. To the extent that the Postal Services relies on machine counts, please confirm that the current shortfall in mechanized flats sorting capacity may have resulted in a significant undercount of the percentage of non-carrier route presort flats barcoded by mailers in FY 1998 and FY 1999. If you do not confirm, please explain.

MH/USPS-T10-10: With reference to p. 39 of your testimony, please explain all of the reasons why automated flats are nearly ten times more costly to process than automated letters.

MH/USPS-T10-11: Please explain the extent to which Periodicals mail incurs higher costs and/or delayed delivery because Periodicals mail is transported to Bulk Mail Centers where trailers can be held for 48 hours.

CERTIFICATE OF SERVICE

I hereby certify that I have on this 22nd day of March 2000 served the foregoing document in accordance with section 12 of the rules of practice.



Timothy W. Beggin