

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

RECEIVED
MAR 24 4 31 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS KINGSLEY TO INTERROGATORIES OF
THE ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-T10-33-40)

The United States Postal Service hereby provides the responses of witness Kingsley to the following interrogatories of the Alliance of Nonprofit Mailers:
ANM/USPS-T10-33-40, filed on March 10, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
March 24, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T10-33. Please refer to your response to ANM/USPS-T10-16 and the attachment thereto.

(a) Please define the "utilization rate" as you use that term in your response and the attachment.

(b) What are the units shown under the "utilization rate" column in the attachment?

(c) For the period FY 1996 to present, please provide data on the manual flats indicator that, according to your response, is being tracked between Headquarters and Area operations. If you have not been tracking manual flats since FY 1996, then provide data from the time you started tracking manual flats.

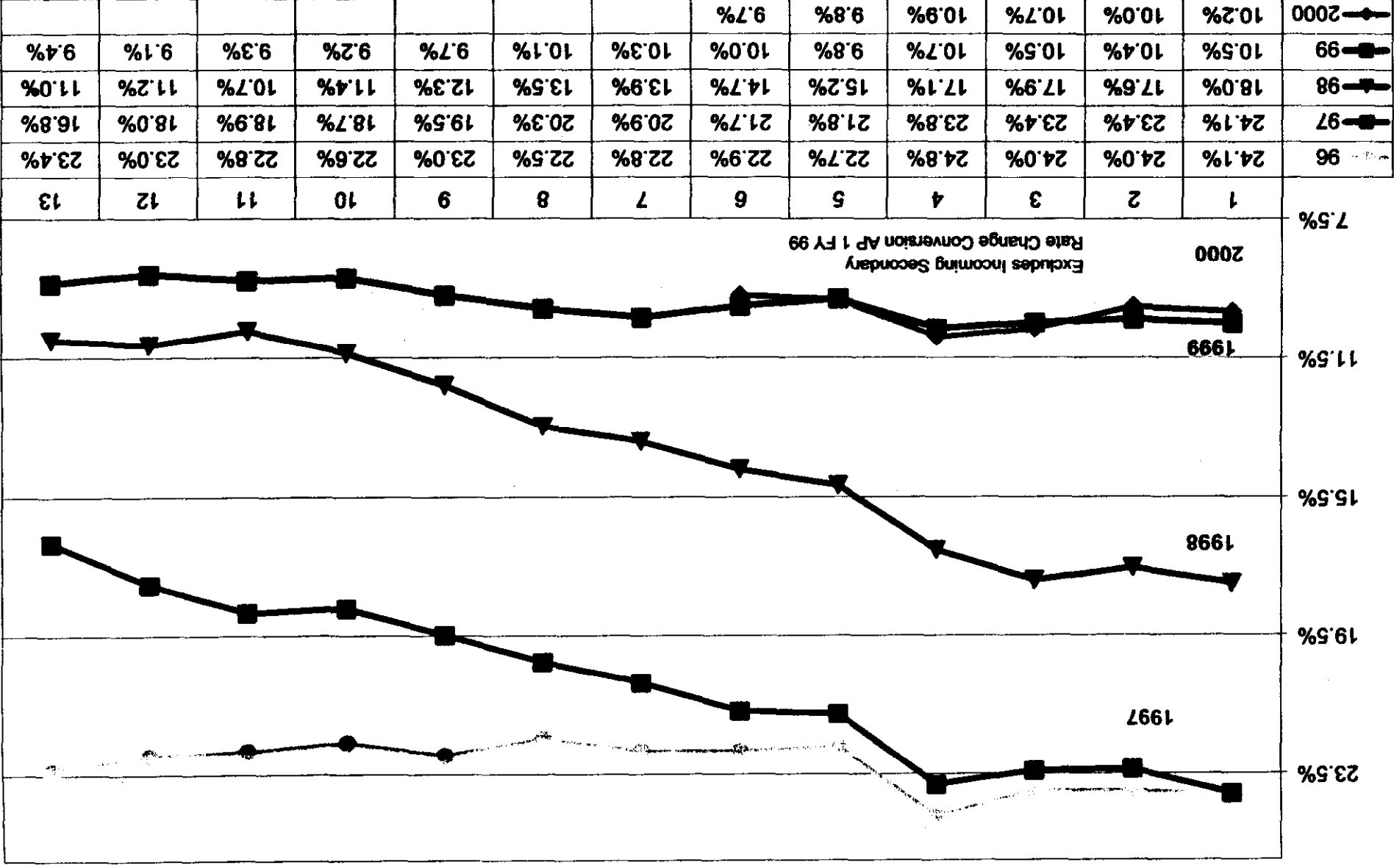
Response:

(a) The utilization rate is the number of pieces finalized across a piece of equipment, generally viewed on an AP basis. For example, in the ANM/USPS-T10-16 response attachment, the national utilization rate for the FSM 881 of 1,624.3 is the equivalent of 1,624,300 pieces sorted per FSM 881 on average for the AP.

(b) Total Pieces Handled per FSM on average for the AP (pieces finalized/sorted, not pieces fed).

(c) Please see attached for percent of manual flat volume to total pieces handled in the plants, excluding incoming secondary manual flat volumes. Incoming secondary volumes are excluded in order not to "penalize" a plant for having the manual scheme clerk processing at the plant (centralized) instead of at the delivery unit(s) (decentralized).

% Manual to Total TPH



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T10-34. This question concerns your testimony concerning the FSM 881 OCR modification.

- (a) When did the Postal Service first deploy the FSM 881 OCR modification?
- (b) How many of the 812 FSM 881s were equipped with the OCR modification at the end of Base Year 1998?
- (c) How many of the 812 FSM 881s will be equipped with the OCR modification at the end of FY 2001?

Response:

- (a) July, 1998. Please see POSTCOM/USPS-T10-4 for deployment schedule.
- (b) As per the deployment schedule, approximately 105 FSM 881s were equipped with the OCR modification as of September 14, 1998.
- (c) All of the FSM 881s are equipped with the OCR modification.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T10-35. Please refer to your testimony at page 11, concerning the FSM 1000.

- (a) In what year did the Postal Service install the first of the 340 FSM 1000s referred to in your testimony?
- (b) How many FSM 1000s were installed in that year and each subsequent year through total deployment of all 340 FSM 1000s?
- (c) For the most recent batch of FSM 1000s purchased and deployed by the Postal Service, what was the average cost per machine?
- (d) Did those machines come equipped with BCR capability? If not, what was the cost to modify and include BCR capability?

Response:

- (a) CY96
- (b) CY96 – 25; CY97 – 170; CY98 – 145
- (c) \$425,000 each.
- (d) No. \$32,000,000 for all FSM 1000s.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T10-36. Please refer to your responses to ANM/USPS-T10-12 and 22.

(a) When did the Postal Service start developing OCR capability for the FSM 1000?

(b) You have stated that you expect an increase in throughput when FSM 1000s are finally modified to include OCR capability. Please explain why it takes so long for the Postal Service to develop and procure OCR capability for the FSM 1000, given that the technology already has been developed and deployed successfully for the FSM 881.

(c) Is the project underfunded?

(d) Is the Engineering Department understaffed or short of Research and Development funds?

Response:

It is my understanding that:

(a) The OCR for the FSM 1000 is a Siemens development based on the same technology used on the FSM 881. The development was not funded by the USPS and we do not know when Siemens started the development.

(b) The deployment of OCR capability on the FSM 1000 is dependent on having an automated feeder for the FSM 1000. See DMA/USPS-T10-16. The earliest that a competitive test for feeders could be arranged is summer of 2000. It was expected that the competitive testing could start as early as April, 2000, but because of the complexity of development of feeders that can handle the wide variety of mail that is processed on the FSM 1000, the testing will be later than originally anticipated.

(c) No.

(d) No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T10-37. Please refer to your response to ANM/USPS-T10-25.

- (a) At BMCs, how many run-outs does the typical parcel sorter have?**
- (b) In what years were the parcel sorters now in operation at BMCs deployed?**

Response:

- a. I am told that each BMC averages between 250 – 350 run-outs combined on their secondary parcel sorters depending on the size of the facility and service area.**
- b. The parcel sorters were deployed at the BMCs during the original construction of the network back in the early to mid 1970s. Since the original construction, I am told that a few of the sorters have been expanded, modified, or refurbished.**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T10-38. Please refer to your response to ANM/USPS-T10-13. How many plants lack enough space to modify their SPBSs with an SPBS Feed System?

Response:

The requested information has not been tracked.

I am told that USPS Headquarters interest has been largely focused on plants submitting requests for SPBS Feed System installation. However, USPS Headquarters has acted to maximize the number of SPBS Feed System installations by surveying the plants and by decreasing feed system floor space requirements.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T10-39. Please refer to your response to ANM/USPS-T10-21, in which you confirm that the throughput capacity of one AFSM 100 is between 2-3 times the capacity of the FSM 881s and is expected to be approximately equivalent to 2.6 FSM 881s.

(a) Since the first 175 AFSM 100s will be used to supplement and expand existing flat sorting capacity, please confirm that the Postal Service's current shortfall in flat sorting capacity is at least equal to the equivalent of 450 FSM 881s.

(b) Please explain fully any failure to confirm without qualification.

Response:

(a) and (b) Not confirmed. FSMs and AFSMs were purchased using two different processing assumptions. Existing FSM 775/881s were purchased specifically to support expected volume growth through FY1992, turnkey facility equipment needs, and very limited sortation to carrier route. The Phase I AFSM purchase *is* expected to support volume growth and sortation to carrier route for zones with approximately 10 or more carrier routes. Over half of the savings for the 173 AFSM 100s is from moving incoming secondary processing from manual operations. Please see response to DMA/USPS-T10-53. An indicator of flat volume growth from FY92 to FY98, is a 50 percent increase in Standard Mail (A), non-ECR, non-letter volume. Therefore, I believe the 450 equivalent FSMs is overstated and is not a true "apples to apples" comparison.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T10-40. Your testimony contains numerous references to a current shortfall in flat processing equipment. For example, at page 11 (lines 26-28) you state that "the first phase of deployment [of the AFSM 100] is primarily intended to supplement our existing flat sorter equipment by providing needed flat sorting capacity" (emphasis added). At page 12 (lines 20-21) you state that "The FSM 1000 has helped reduce the volume of mail that is processed in manual operations" (emphasis added). At page 13, you state that "FSM 881s will be relocated to smaller sites that do not have flats sorting equipment or lack sufficient flats sorting capacity today" (emphasis added)

(a) Considering that the FSM 775/881 and the FSM 1000 have been available for purchase for so many years, please provide a detailed explanation of why the Postal Service allowed such a shortage of mechanized flat sorting capacity to occur in Base Year 1998.

(b) Please produce documents sufficient to verify your response to part (a).

Response:

It is my understanding that we were pursuing the next generation of FSM and the existing FSM 775/881 technology was outdated. The thought was why invest capital in old technology when there was much better equipment technologies available. The FSM 775/881 is not a machine that can be bought off the shelf; a production line did not exist after FSM 775 deployment was completed in 1992 and considerable costs are incurred to re-start a production line. In addition, deployment of the AFSM has been delayed as long as seven months from the original plan due to production difficulties. A limited number of suppliers are able to manufacture the required quantity at a reasonable price. The limited long-term value of the FSM 775/881 is supported by the expected replacement of FSM 775/881s starting in FY2001 with the AFSM Phase 2 deployment.

The FSM 1000 is intended for flats with different machinability characteristics than the AFSM 100 (thicker, flimsier, heavier). The amount of FSM 1000s purchased was based on this more limited flat mail base. Again, why purchase more FSM 1000s for FSM 881/AFSM 100-compatible flats when a much better machine is on the near horizon. Please see response to NNA/USPS-T10-8.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

To clarify, not all facilities have FSM capacity shortages. Some identified shortages have been in the fastest growing metropolitan areas in the West and Southwest. However, improved service pressures in some other metropolitan areas without capacity constraints prevented FSMs from being relocated.

DECLARATION

I, Linda Kingsley, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

Linda A. Kingsley
Date: 3-24-2000

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.

A handwritten signature in dark ink, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
March 24, 2000