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

POSTAL RATE AND FEE CHANGES, 2000 | Docket No. R2000–1

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY TO INTERROGATORIES OF THE MCGRAW-HILL COMPANIES, INC. (MH/USPS–T10–1, 2, 8, 10) -- ERRATA

The United States Postal Service hereby provides the revised responses of witness Kingsley to the following interrogatories of The McGraw-Hill Companies, Inc.: MH/USPS–T10-1, 2, 8, and 10, filed on March 22, 2000. Each revised response replaces entirely the response filed on April 5, 2000. In question 1.f., "six sortation bins" has been changed to "three," in question 2, the words "on keying" have been eliminated as unnecessary, in question 8.c-d, an additional reference has been added, and in question 10, the omitted second page has been added.

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
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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY TO INTERROGATORIES OF McGRAW-HILL 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-I-193), and explain the impact of that fact on FMBCR operations and on the costs of processing Periodicals mail.

Response:

a. Please see ANM/USPS-T10-40.

b. Please see NNA/USPS-T10-18 and DMA/USPS-T10-27.

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c. The complete paragraph -- from which you extracted the sentence fragment in your interrogatory -- is quoted below.

"Build or lease a new customer service facility specifically to delivery point sequence or manually case letters, and carrier route sort flats and parcels for nearby offices. These facilities, commonly called Delivery and Distribution Centers (DDC) and Delivery and Distribution Units (DDU – DDUs are smaller), are the least desirable alternative because they introduce an additional stop in the path between mailer and addressee."

Clearly, I did not refer to delivery units that perform incoming secondary for the carriers at the same location (which does not introduce an additional stop).

d. ANM/USPS-T10-16 does NOT indicate a 20% underutilization of FSM 881s as you state. This response provides the average utilization for AP5 FY2000 of over 1.6 million pieces sorted per FSM 881 (TPH/per machine/AP). Yes, fuller utilization of FSMs is preferred but in many circumstances is constrained by the arrival profile of the mail compared to the service commitment, BCR/OCR accept rates (portion of rejects to be rehandled), preventive maintenance windows (the machines can not run 24 hours per day), time required to switch schemes, and operating windows (to meet transportation schedules to meet delivery).
Centralized distribution benefits from economies of scale as demonstrated in the testimonies of USPS witnesses Degen and Bozzo on volume variability. In addition to the multitude of specific advantages in various groups of operations that they discuss, centralization provides the mail volumes that permit economical mechanization and automation, improves management control, and facilitates equipment maintenance.

e. I am not sure I understand your question. I do not believe manual incoming secondary processing at plants is "strained". The portion of volume on manual incoming secondary operations at plants is due to many factors such as

machinability characteristics, arrival profiles, operating windows, equipment type and quantity, and service required for the mail. As mentioned in page 14 of my testimony, manual incoming secondary processing occurs predominantly at delivery units due to space constraints at plants, the ease of maintaining scheme knowledge, etc.

f. When the FSM 881 only had a BCR, it required the barcoded volumes to be separated from non-barcoded volumes for several reasons. Each console can either be set to key or to sort on barcodes and so lower level clerks could feed the barcoded volumes. So separate mail streams for each sort program (i.e., each incoming secondary zone and each 3-digit sort plan) were required to estimate volumes, and staff and schedule the "best-suited" personnel to sort and to key BCR rejects. When using a BCR sort plan, you also lose three sortation bins on each side of the FSM 881 sort plan which results in three potential holdouts that now will require sortation further downstream. (The three bins right after the BCR on each side can not be used by the pieces fed on that same side due to the time required for the BCR to determine the result. Therefore, the three bins on side one can only be filled by volume originating from side two and vice versa. So these three bins are duplicated on both sides, thereby eliminating three other sort options). Prior to implementation of Classification Reform in July, 1996, barcoded flats were allowed to be commingled with up to 15 percent non-barcoded flats, which resulted in a higher portion of BCR rejects. After Classification Reform, the bundles were required to be "pure" barcoded and "pure" non-barcoded. This allowed better scheduling and reduced the amount of BCR rejects and subsequent rehandlings.

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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 "[despite 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-I-193).

Response:

a - c. The volume is the pieces processed, or finalized on an FSM, not pieces fed. I believe the reduction is due to the OCR on the FSM 881 which has a higher reject rate than the BCR, therefore, there is less finalization per pieces fed. OCR rejects need to be subsequently keyed, which requires an additional FSM 881 handling and, obviously, additional machine time.

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MH/USPS-T10-8 With reference to the statement in the USPS Strategic Improvement Guide for Flats Processing, September 1999, p. 3 (USPS-LR-I-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 PY 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.

Response:

a. No such data are available.

b. In operations, we track barcoded volume but we do not track volumes by class.

c. - d. As mentioned in my testimony, the primary reason was due to not enough flat sorting machine capacity, which required the flats to be sorted in a manual operation. See MH/USPS-T10-3 for other factors.

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e. For estimates of periodical workshare savings and proposed discounts, please refer to the testimonies of Witness Yacobucci (USPS-T-25) and Witness Taufique (USPS-T-38).

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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.

Response:

I would expect letter processing costs to be significantly less than for flats for numerous reasons:

- More consistency in shape (less variation) for letters than for flats.
- More consistency in address location and orientation for letters than for flats.
- Less bundle handling for letters than for flats. All automation and automation compatible letters must be provided in trays, with higher volume minimums (150 pieces vs. 6 or 10). Which also impacts the extent of required piece orientation at the feeders.
- Letter processing equipment has higher throughputs than FSMs.
- Letter processing equipment requires less staff per machine than FSMs (2 vs.6).
- DBCSs, where the majority of letter sortation occurs, has a much finer depth of sort than an FSM (190-220 stackers vs. 100 or 120 with the AFSM). Therefore, fewer subsequent handlings are required.
- MLOCR rejects are sent through RCR and RBCS for resolution. FSM OCR rejects must be keyed.
- We barcode letters that go through MLOCRs, RCR and RBCS. We currently do not barcode flats. Therefore, OCR reject flats will again require keying for subsequent handlings.
- We currently DPS letters and do not DPS flats.

- Weight. On average, letters are lighter than flats.

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: 4-7-2000

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.

Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–2990 Fax –5402
April 7, 2000