

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

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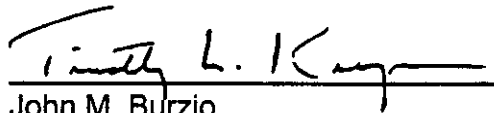
POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

INTERROGATORIES OF TIME WARNER INC.
TO THE UNITED STATES POSTAL SERVICE (TW/USPS-6-13)
(April 25, 2000)

Pursuant to sections 25 and 26 of the Rules of Practice, Time Warner Inc.
(Time Warner) directs the following interrogatories to the United States Postal Service.

Respectfully submitted,



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**INTERROGATORIES OF TIME WARNER INC.
TO UNITED STATES POSTAL SERVICE**

TW/USPS-6 A comparison of the WS14.4 worksheet in the B series Segment 14 workpapers for FY98 and FY99 shows a large drop in the "passenger air" costs attributed to Periodicals. For regular rate Periodicals the amount dropped from \$15.532 million to only \$5.37 million, and for all Periodicals the drop is from \$18.859 million to \$6.520 million. There are also significant reductions in Periodicals' use of Christmas Air and Eagle Air. Please answer the following.

- a. Confirm that the Postal Service's policy is to transport Periodicals mail by surface and not by air.
- b. Describe all efforts undertaken by Postal management that may have helped reduce the amount of passenger air transportation of Periodicals between FY98 and FY99.
- c. If the Postal Service has made an effort to reduce the air transportation of Periodicals, please state whether it is expected that this effort will lead to a further reduction of such transportation in FY2000 and FY2001, and provide the best available estimate of cost savings to be realized.
- d. If, as appears from the comparison of FY98 and FY99 segment 14 B workpapers described above, there has been a Postal Service effort to reduce air transportation of Periodicals, please state whether the savings from such an effort has been considered in the roll forward process used in this case.
- e. Please state all reasons known to the Postal Service why some Periodicals are put on airplanes and describe all steps taken or planned to be taken to prevent this from happening in the future.

TW/USPS-7 Mr. O'Tormey's testimony refers to a recently signed memorandum of understanding (MOU) with the National Association of Letter Carriers (NALC) addressing a work methods change that should have a positive impact on flats handling costs in carrier operations.

- a. Has the Postal Service conducted any analysis to estimate how much costs might be reduced, per Periodical flat and for other flats, as a result of the MOU referred to by Mr. O'Tormey? If yes, please state what the Postal Service estimates the savings might be, and provide copies of all relevant material supporting this conclusion.
- b. Have any savings related to this MOU been assumed in the Postal Service's "roll forward" projections for FY2001?

TW/USPS-8 Mr. O'Tormey's testimony refers to opportunities for cost reductions if mailers were to make full use of the "5-digit scheme sort" made possible by the now available L001 list. O'Tormey also indicates that this option "already has had a

positive impact on USPS operations" and that the Postal Service is thinking of making it mandatory.

- a. Has the Postal Service conducted any analysis to estimate: (1) how much the availability of the L001 option may already have helped reduce the costs of Periodicals, through the voluntary compliance that has occurred to date; and (2) how much Periodicals costs might be further reduced, if compliance with the L001 option were to become mandatory? If yes, please state what the Postal Service estimates the L001 related savings are and what they might be, and provide copies of all relevant material supporting this conclusion.
- b. Have any savings related to voluntary and/or mandatory use of the L001 list been assumed in the Postal Service's "roll forward" projections for FY2001?

TW/USPS-9 Mr. O'Tormey's testimony refers to opportunities for improved productivity through setting of "more aggressive performance targets in the coming years" (USPS-ST-42 at 22, l. 11) and states that one result already achieved is increased productivity in manual flat sorting.

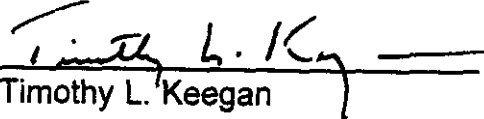
- a. Please describe all "aggressive performance targets" affecting the processing, transportation or delivery of Periodicals that the Postal Service either has established or plans to establish in, respectively, FY99, FY2000 and FY2001.
- b. Please also describe the anticipated savings in each year through FY2001 from each "aggressive performance target" and provide copies of all relevant analyses pertaining to the potential cost savings.
- c. Please provide copies of all relevant written instructions establishing "aggressive performance targets."
- d. Have the savings expected from the setting of any "aggressive performance targets" been assumed in the Postal Service's "roll forward" projections for FY2001? If yes, please identify the "aggressive performance targets" already included in the roll forward.
- e. Was the initiative to increase manual flat sorting productivity extended to Non-MODS and/or Function 4 offices? If yes, what was the result?

TW/USPS-10 Mr. Unger's and Mr. O'Tormey's recently filed testimonies both appear to argue that year-to-year comparisons of FSM productivity are misleading because they fail to consider the changing degree to which allied labor functions are recorded as part of the FSM cost pool. See USPS-ST-42 at 17, ll. 13-20; USPS-ST-43 at 14, ll. 18-26. Mr. O'Tormey refers to a Postal Service effort to reduce "indirect" (allied?) labor associated with flats distribution that had "a negative impact on reported FSM productivity during the transition." USPS-ST-42 at 17, ll. 19-20.

- a. Please identify the cost pools from which allied labor might have been transferred to the FSM cost pool under the process described by Unger and O'Tormey.
- b. Please identify all types of allied labor activity that may have been fully or partially transferred to the FSM cost pool from other cost pools.
- c. Did the transfer of some allied labor activity to the FSM pool continue in FY99? In FY2000? Will it continue in FY2001?
- d. Does any analysis exist providing estimates of the degree to which allied labor functions may have been transferred to and become part of the FSM cost pool in recent years? If yes, please provide the results of all such analyses as well as copies of supporting documents.
- e. The IOCS data for FY98 filed in this docket and for FY96 in R97-1 indicate very large increases in manual flat sorting costs incurred at non-MODS offices as well as Function 4 MODS offices, even though the separation of barcoded and non-barcoded flats referred to by Mr. Unger is hardly an issue in those offices. Does the Postal Service believe these increases mean that flat sorting clerks in those offices were performing more allied labor functions in FY98 than in FY96? If not, what are the reasons for the apparent large increases in manual flat sorting costs in Non-MODS and Function 4 offices?
- f. Reported FSM productivity has declined every single year since at least FY88 through at least FY99. See Docket No. R97-1, Tr. 11/5565. For how many of those years was the decline caused by the inclusion of more allied labor in the FSM cost pool?

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with sections 12, 25(a), and 26(a) of the Rules of Practice.



Timothy L. Keegan

April 25, 2000