

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-0001**

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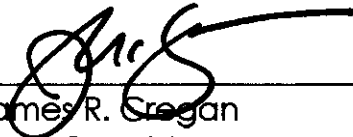
Docket No. R2000-1

**FIRST SET OF INTERROGATORIES OF
MAGAZINE PUBLISHERS OF AMERICA, INC.
TO USPS WITNESS O'TORMEY
(MPA/USPS-ST-42-1-9)**

(April 26, 2000)

Pursuant to the Commission's Rules of Practice, Magazine Publishers of America hereby submits the attached interrogatories to USPS Witness O'Tormey (MPA/USPS-ST-42-1-9).

Respectfully submitted,



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**FIRST SET OF INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA
TO UNITED STATES POSTAL SERVICE WITNESS O'TORMEY**

MPA/USPS-ST-42-1. Please refer to Library Reference I-193, the Report of the Periodicals Operations Review Team (March 1999) (Joint Industry/USPS Report) that was sponsored by the American Business Press, the Magazine Publishers of America, and the United States Postal Service, and which is referenced on page 19, lines 19-22 of your testimony where you note that "[f]ifteen recommendations were issued in the Team's March 1999 Report, and its work is ongoing."

a. Please confirm that the following individuals, listed on pages 41-42 of the Joint Industry/USPS Report as members of the Review Team were employees of the United States Postal Service during the time they participated in preparing the Joint Industry/USPS Report: Jeffrey Colvin, Manager Cost Attribution; Joe DiPietropolo, Processing Operations; Tony Dobush, Operations Superintendent; Barry Elliot, Operations Requirements; Harvey Slentz, Manager Strategic Operations Planning; Ron J. Steele, Manager, Costs Systems.

b. On page 3, the Joint Industry/USPS Report states "[t]he team concluded that it had observed system inefficiencies in both postal and mailer processes along with other inherent characteristics that likely have contributed to, but do not explain fully, the large increases in Periodicals costs." Do you agree with this statement?

c. If your answer is other than yes, please explain.

MPA/USPS-ST-42-2. Starting on page 20 of your testimony, you describe current improvement efforts for reducing flats processing and delivery costs in the future. The first opportunity you describe is the AFSM 100.

a. On page 21, you state, "...the performance of the AFSM in Baltimore (the pre-production unit site) has met our expectations." Please state whether you expect performance of the AFSM to be better than planned, and better than what Baltimore results have shown, based on changes in the production model.

MPA/USPS-ST-42-3. On page 22 of your testimony, you describe an opportunity you entitle "Productivity."

- a. Are the "more aggressive performance targets in the coming years" completely accounted for in witness Tayman's cost reduction programs?
- b. If so, please provide all references to where witness Tayman accounts for these cost reduction programs.
- c. If not, please fully describe all cost reductions that are not accounted for in witness Tayman's cost reduction programs and estimate the Test Year cost savings that will result from these targets.
- d. Please provide in an electronic spreadsheet format manual flat sorting productivity for the last ten years and the productivity you expect to achieve in the Test Year.
- e. If there are opportunities other than more aggressive performance targets included in these productivity opportunities, please describe them.
- f. If there are other opportunities cited in (e) above that will generate savings in the Test Year that are not accounted for in the testimony of witness Tayman, please quantify the Test Year savings and provide all cost estimating assumptions and calculations in an electronic spreadsheet format.

MPA/USPS-ST-42-4. Please refer to page 24 of your testimony, where "Mail Preparation" is listed as an opportunity. In particular, you state, "The Periodicals industry and the Postal Service are looking at changes in preparation requirements for Periodicals that may create more efficient preparation."

- a. Please describe all changes that you are considering.
- b. For each change listed in (a), please provide an estimate of the Test Year cost savings that will result from the change in mail preparation, describe the method you used to quantify the savings, and provide all underlying calculations in an electronic spreadsheet format.

MPA/USPS-ST-42-5. Please refer to page 24 of your testimony, where you state: "'Skin Sacks': One of the possibilities being explored is the elimination of CRRT 'skin sacks' (sacks with fewer than 24 pieces). These sacks are often prepared by the periodicals industry to improve or protect service. The theory is that pieces in direct sacks, i.e., sacks that do not have to be opened until they reach the carrier are less likely to be delayed during interim processing steps (sack sorting, opening, dumping, distributing bundles, etc.). Eliminating that sacking option

but allowing 'skin sacks' at the 5-digit level would reduce the number of sack handlings in the system without jeopardizing service since those sacks would not be opened until they were at the delivery unit."

a. Please provide an estimate of the cost savings in the Test Year that would result from eliminating Periodicals CRRT skin sacks but allowing skin sacks at the 5-digit level.

b. Please state whether these savings have been incorporated into the Postal Service's roll forward. If so, please provide a citation to where they were incorporated.

MPA/USPS-ST-42-6. Please refer to the instruction on bundle recovery that you sent to the field and that witness Kingsley later provided as an attachment to her response to MPA/USPS-T-10-6. In particular, refer to the section that states:

Clearly, the most economical method of package breakage recovery is to recover the broken packages as originally secured by the mailers at induction and re-band them using rubber bands and/or strapping machines and re-induct them into the system. This is the preferred method and should be utilized whenever the package integrity is sufficient to identify the contents because it retains the correct presort level.

If the packages have broken and lost their integrity, they should be recovered and, whenever possible faced and put directly into the proper container...for further processing on the appropriate Flat Sorter Machine (FSM) sort program.

The least economical method is incurred when the broken package is keyed as individual pieces on the Small Parcel Bundle Sorters (SPBS). Productivities are considerably lower on the SPBS as compared to the FSM. Not only is the process a great deal more expensive, it also inflates SPBS volumes. At no time should this method be used as a processing option.

Please also refer to page 26 of LR-1-193, Report of the Periodicals Operations Review Team. In particular, refer to where it states, "The cost impact of SPBS bundle breakage may be magnified, because SPBS employees choose to key individual pieces in such bundles rather than to salvage partially broken bundles. The cost implications of such practices should be investigated closely and quickly."

Finally, please refer to page 22-23 of your testimony, where you state: "(g) Methods: We continually strive to improve work methods at the operating level. Toward that end, we have recently issued instructions to the field on various operating procedures specifically related to the following: the induction of flats bundles into the SPBS, preferred recovery methods for bundles which have been broken prior to reaching piece distribution operations and instructions regarding individual piece distribution on the SPBS."

- a. Please describe all efforts that the Postal Service is making to improve its bundle recovery methods.
- b. Please confirm that you expect these efforts to improve the bundle recovery methods used by the Postal Service in the Test Year.

MPS/USPS-ST-42-7. Please refer to page 22-23 of your testimony, where you state: "(g) Methods: We continually strive to improve work methods at the operating level. Toward that end, we have recently issued instructions to the field on various operating procedures specifically related to the following: the induction of flats bundles into the SPBS, preferred recovery methods for bundles which have been broken prior to reaching piece distribution operations and instructions regarding individual piece distribution on the SPBS." Please refer further to page 21-22 of your testimony, where you state: "(d) SPBS: Material handling activities are an important component of total flats costs. In an earlier part of this testimony I highlighted the impacts of broken bundles on those operations. As part of their ongoing effort to find ways to improve the performance of all of our equipment, our engineering group is exploring options for improving equipment where broken bundles occur."

- a. Please describe all efforts that the Postal Service is making to reduce bundle breakage.
- b. Please confirm that you expect these efforts to reduce bundle breakage in the Test Year.

MPA/USPS-ST-42-8. Do you expect the performance of the AF5M 100s to be better than what was assumed in LR-I-126? If so, please quantify the additional Test Year cost savings.

MPA/USPS-ST-42-9. Does the Postal Service plan to deploy any new equipment or modify existing equipment in the Test Year beyond what was identified in LR-I-126? If so, please quantify the additional Test Year cost savings.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with the Commission's Rules of Practice.



James R. Cregan

Washington DC
April 26, 2000