

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

RECEIVED

APR 28 5 02 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 MCGRAW-HILL COMPANIES, INC.
(MH/USPS-T10-12-21)

The United States Postal Service hereby provides the responses of witness Kingsley to the following interrogatories of The McGraw-Hill Companies, Inc.:
MH/USPS-T10-12-21, filed on April 13, 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
April 28, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.**

MH/USPS-T10-12 With reference to your statement, in response to MH/USPS-T10-1(d), that your response to ANM/USPS-T10-16 "does NOT indicate a 20% underutilization of FSM 881s":

- (a) Please confirm that the attachment to your response to ANM/USPS-T10-16 reflects a target 2 million TPH utilization rate per FSM 881 in AP5 of FY 2000. If you do not confirm, please explain fully.
- (b) Please confirm that the "average utilization for AP5 FY 2000 of over 1.6 million pieces sorted per FSM 881 (TPH per machine/AP)," as reflected in that attachment and acknowledged in response to MH/USPS-T10-1(d), is nearly 20 percent below the target for AP5 FY 2000. If you do not confirm, please explain fully.
- (c) Please produce all other "FSM utilization indicators" for all other accounting periods and years, in the same format as the attachment to ANM/USPS-T10-16.
- (d) Please confirm that in setting a target utilization rate per FSM 881, the Postal Service undertakes to set a realistic target that should be obtainable notwithstanding the constraints referred to in your response to MH/USPS-T10-1(d) (eg., BCR/OCR accept rates, preventive maintenance windows, etc.). If you do not confirm, please explain fully.
- (e) Please state the average nationwide percentage of target utilization rates per FSM 881 that was met in BY 1998 and FY 1999, respectively, and explain fully any shortfall of 10% or more (on an average basis) in meeting those targets in BY 1998 and FY 1999, respectively.
- (f) Please state as precisely as possible when "increased FSM utilization" began to be "tracked and discussed on teleconferences on a regular basis (once or twice per month) between Headquarters and Area operations" (as you state in response to ANM/USPS-T10-16), and explain fully all of the reasons, including concerns with FSM underutilization, that led the Postal Service to focus on increased FSM utilization.

Response:

- (a) Confirmed.
- (b) As mentioned in TR 5/2058-2062, that is not a direct comparison. See (d) below.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.**

- (c) Response provided to Hearing Question 2, Tr. 5/2059, lines 11-13, submitted on April 20, 2000.
- (d) It is my understanding that the high target of 2 million TPH utilization per FSM 881 was set by the current Vice President, Delivery, to provide a target to the field to drive improvement and performance. The FSM 881 utilization is tied to the FSM 1000 utilization and the two are *not* mutually exclusive. Actual FSM 1000 utilization was 1.7 million for AP7 FY00 with a goal of 1.4 million (also per ANM/USPS-T10-16). The 2 million FSM 881 target was not "scientifically set" in Qtr 4, FY99 and was determined based on the ability of some sites to meet the then existing target of 1.8 million and with some sites averaging over 2 million in some instances. The goal was *not* expected to be met as an average for *all* machines since it is not possible for all processing sites due to their volumes, operating windows, etc. (as you mention). Some sites for AP7 FY00 did average over 2 million total pieces handled.
- (e) See c above.
- (f) It is my understanding that "increased FSM utilization" began to be discussed in AP 6, FY 99 along with seven other "indicators" in an attempt to focus the field to improve productivity as a whole and drive overall performance.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF MCGRAW-HILL COMPANIES INC.**

MH/USPS-T10-13 With reference to your response to MH/USPS-T10-2 that the reduced productivity in mechanized and automated flats processing operations "is due to the OCR on the FSM 881 has [sic] a higher reject rate than the BCR":

- (a) Please confirm that the deployment of OCRs on the FSM 881s was not initiated until July 1998, and was not completed until late April 1999, as indicated by your response to PostCom/USPS-T10-4(a). If you do not confirm, please explain fully.
- (b) Please confirm that the deployment of OCRs on FSM 881s could not account for the decline in productivity in automation flats processing from 1520 PPH in FY 1994 to 845 PPH in AP1 of FY 1998, or the decline in productivity in mechanized flats processing from 730 PPH in FY 1993 to 600 PPH in AP1 of FY 1998 (516 PPH in FY 1997), as indicated in USPS-LR-I-193 (USPS Strategic Improvement Guide for Flats Processing), pp. 3-4. If you do not confirm, please explain fully.
- (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]" (USPS-LR-I-193, USPS Strategic Improvement Guide for Flats Processing, p. 3) productivity in both mechanized and automation flats processing operations generally declined from FY 1993 through AP1 of FY 1998.
- (d) Please provide the productivity (PPEI) both for mechanized flats processing operations and (separately) for automation flats processing operations, on the same basis as reflected in Exhibit 1 of the USPS Strategic Improvement Guide for Flats Processing (USPS-LR-I-193), for each accounting period from AP1 of FY 1998 to the present.
- (e) Please reconcile your response to MH/USPS-T10-2 with the statement of USPS witness Smith, in response to DMA/USPS-T21-2(f), that "I am told that the Postal Service is addressing these concerns [with decreasing flat sorting productivity] beyond the base year through the deployment of the OCRs to the FSM 881 ."

Response:

- a) Confirmed. My response to PostCom/USPS-T10-4(a) has not changed.
- b) See response in Tr. 5/2051, lines 7-25, and Tr. 5/2052, lines 1-19, that discusses increased BCR usage on FSM 881s, Reclassification changes related to the combination then separation of barcoded and non-barcoded

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF MCGRAW-HILL COMPANIES INC.**

flats, deployment of FSM 1000s, and moving mail up the ladder from manual operations, that I believe affected FSM 881 TPH. I discussed the FSM 881 OCRs as having a more recent impact on FSM TPH.

- c) See Tr.5/2051, lines 7-25, and Tr. 5/2052, lines 1-19, which answers this same question in oral cross-examination. Also see the declining portion of flats in manual operations within the plant, ANM/USPS-T10-33.
- d) Refer to responses to ANM/USPS-T10-42-46 for various FSM productivities.
- e) In the response to DMA/USPS-T21-2(f), witness Smith stated that the result of deploying the OCR on the FSM 881 was to reduce overall flats sorting costs, not necessarily to improve FSM 881 productivity. Specifically, the need to maintain FSM 881 clerks with carrier scheme knowledge will be eliminated, operator keying costs can be reduced since a lower level clerk can be used, and less flats will require manual sortation. However, these anticipated cost reductions in flats processing are not necessary contradictory with the reduction of pieces finalized per pieces fed on the FSM 881 as a result of the OCR deployment.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF MCGRAW-HILL COMPANIES INC.**

MH/USPS-T10-14 With reference to your response to MH/USPS-T10-3(a)-(b):

- (a) Please state whether the example you give in the third and fourth sentences of your response is equally applicable to First-Class Mail. If you respond in the negative, please explain fully.
- (b) Do you believe that the decline in FSM 881 productivity may reflect an increased focus on service for Standard A mail, as indicated in the response of witness Smith to DMA/USPS-T21-2(e)? Please explain your answer fully.
- (c) Please assume that an average-volume Periodicals mailing (dropship entered at an SCF) arrives at delivery units at 6 am, and has been sorted only to bundles by zone. Please estimate the degree of likelihood that the mail could be sorted to carrier route level at the delivery units in time to deliver the mail to addressees that same day, and explain the factors affecting such degree of likelihood.

Response:

- (a) Yes. It is for these very reasons that plants dispatch mail as soon as possible and do not incur further delay.
- (b) The response provided by witness Smith was an increase in cost was due to service. His response did not link FSM 881 productivity and service.
- (c) Every effort would be made to sort the mail to the carrier for same day delivery. However, it would depend on the critical entry time (CET) at both the SCF and delivery unit, the volume of First-Class, Priority, and other Periodicals that also required carrier route sortation for that day and carrier leave times (e.g., 8:30 versus 11 am). Carrier route bundles would have a better likelihood of being delivered that same day than a 5-digit bundle.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.**

MH/USPS-T10-15 In response to MH/USPS-T10-3(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"), you simply referred to USPS-LR-I-87. Please state the percentage requested (for FY 1999 and/or BY 1998) or your best estimate (explaining your reasoning), and state the precise pages of USPS-LR-I-87 that you believe support your answer.

Response:

According to data in USPS LR-I-87 Periodicals Mail Characteristics Study, Tables 6 and 7, pp. 21-26, 29.31% of Periodicals Regular, Science of Agriculture, and Nonprofit is barcoded, machinable, and non-carrier route. As mentioned in the response to MH/USPS-T10-3(c), the Periodicals Mail Characteristics Study is for FY 1999.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF MCGRAW-HILL COMPANIES INC.**

MH/USPS-T10-16 With respect to your response to MH/USPS-T10-3(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 FY 1998"), you referred to "mail processing volume variability costs by cost pool" presented by USPS witness Van-Ty-Smith (T17). Please state whether the answer to MH/USPS-T10-3(d) can be found in witness Van-Ty-Smith's testimony and/or supporting materials, and if so, please explain fully, and provide precise page references. If necessary, please redirect this interrogatory subpart to witness Van-Ty-Smith.

Response:

As stated in response MH/USPS-T10-3(d), information specific to each class and rate category is not collected by processing operation. The specific answer cannot be found in witness Van-Ty-Smith's testimony and/or supporting materials. I suggested that you refer to witness Van-Ty-Smith's testimony because it could provide, at least, some information in terms of the costs for Periodicals in relation to the specific mail processing cost pools (manual vs. FSM).

I would add that the question you posed does not consider the presort level of the mail and the required piece handlings necessary. If you are only discussing incoming secondary, then I have already provided information in my testimony and in the transcript stating that approximately 60% of incoming secondary processing for flats was in the delivery units and the remaining 40% in the plants was split between 60% FSM and 40% manual. The flat volume sorted on an FSM versus manual would be very different for each of the other levels of sort required (outgoing, ADC, SCF or incoming primary) which would have much higher portions on an FSM as supported by the small amount of non-incoming

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF MCGRAW-HILL COMPANIES INC.**

secondary flats processed in manual operations as provided in ANM/USPS-T10-

33.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.**

MH/USPS-T10-17 With respect to your response to MH/USPS-T10-7:

- (a) Please describe all sources and/or bases for your statement in response to MH/USPS-T10-7(a)-(c) that Periodicals are processed in 34 of the P&DC or P&DF annexes.
- (b) Please specify what other classes and subclasses of mail are processed in those annexes, and explain the sources and/or bases of your answer.
- (c) Please explain whether you maintain that Periodicals are not processed in any annexes other than the 34 annexes referred to in your response to MH/USPS-T10-7(a)-(c), and explain the sources and/or bases of your answer.
- (d) Please explain whether mail other than Periodicals is processed in any annexes other than the 34 annexes referred to in your response to MH/USPS-T10-7(a)-(c), and explain the sources and/or bases of your answer. Please specify any such mail by class and subclass.
- (e) Please state the total number of annexes, associated with P&DCs and/or P&DFs in which mail is processed, and explain the sources and/or bases of your answer.
- (f) Please state the total number of annexes, associated with facilities other than P&DCs and/or P&DFs, in which mail is processed, and explain the sources and/or bases of your answer. Please specify the type(s) of facility with which such annexes are associated.
- (g) Please explain the extent to which annexes are dedicated to the processing of mail of particular classes or shapes (specifying the classes and shapes involved), and explain the sources and/or bases of your answer.
- (h) With reference to your response to MH/USPS-T10-7(g), please confirm that due to the additional handling and transportation costs incurred with the use of annexes, processing of Periodicals is more costly in annexes than in plants, assuming all other factors are equal, e.g., comparing plant-processing with FSMs to annex-processing with the same FSMs. If you do not confirm, please explain fully.
- (i) With reference to your response to MH/USPS-T10-7(h), please confirm that only 22 of the annexes at which mail is processed have FSMs. If you do not confirm, please explain fully. Please set forth the sources and/or bases of your answer.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.**

Response:

- a. My answer was based on a February, 2000, survey of the Area Managers of In-Plant Support concerning annexes in their respective areas.
- b. First Class, Priority, Standard A and Standard B based on the February survey.
- c. I am not aware of Periodicals processing in any P&DC/F annexes other than the 34 annexes that were designated as processing Periodicals in the February survey. I have no other information on which to base a different response than the one already provided in MH/USPS-T10-7.
- d. According to the February survey, First Class, Priority, Standard A and/or Standard B are processed in various annexes which do not also process Periodicals.
- e. It is difficult to establish an exact count of P&DC/F processing annexes because they open and close, may be used for processing part of the year and storage otherwise, or are associated with Customer Service facilities rather than a P&DC/F, etc. Recognizing these difficulties, I nonetheless counted 67 annexes in the February survey that appear to me to be P&DC/F processing annexes.
- f. I do not have a count of non-P&DC/F processing annexes. There are a wide variety of annexes. Some are associated with a BMC, ASF, AMC, or military mail. Many are associated with Customer Service (e.g. carrier annexes) and do not technically "process" mail. Delivery and Distribution Centers/Units are not considered annexes.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF MCGRAW-HILL COMPANIES INC.**

- g. Among the 67 apparent P&DC/F processing annexes, I counted one that is identified as processing only Standard A and four identified as processing only Priority. Many of these annexes have some combination of DBCS, SPBS, LIPS, and/or FSM and appear to primarily process mail, but not necessarily all types of mail, that can be processed on the equipment in that annex. For instance, some annexes do bundle processing, some do parcel processing, some do flat piece distribution and some have DBCSs for letter piece distribution.
- h. Not confirmed. Even if the plant and the annex have the same equipment, space constraints in the plant may result in volumes incurring additional handling. In a crowded plant, staging areas may have multiple uses and the mail flow may be inefficient with re-staging of the mail.
- i. Confirmed. However, many annexes have other equipment such as SPBS, LIPS or DBCS and would not require an FSM since bundle, parcel, or letter distribution is performed at that location, and not piece distribution for flats.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.**

MH/USPS-T10-18 With reference to your response to MH/USPS-T10-8(a):

- (a) Please explain fully why MODS data, while sufficient to provide the number and percentage of non-carrier route, prebarcoded flats processed in non-automation operations in FY 1997, is supposedly insufficient to likewise provide the number and percentage of non-carrier route, prebarcoded flats processed in non-automation operations in FY 1998 and/or FY 1999;
- (b) Please explain whether you have any basis for determining whether the number and/or percentage of non-carrier route, prebarcoded flat processed in non-automation operations increased or decreased in FY 1998 and/or FY 1999 over FY 1997. If so, please specify the change as precisely as possible, provide your best understanding of the reasons for the change and specify the sources and/or bases for your answer.

Response:

- (a) As mentioned in Tr. 5/2055, lines 20-25, and Tr. 5/2056, lines 7-16, it could not be determined how that initial percentage provided in the guidelines (in LR-I-193) was derived or if it was accurate.
- (b) As mentioned in Tr. 5/2056, lines 22-25, and Tr.5/2057, lines 1-17, there is no breakdown of all barcoded flats as to what portion was processed on a BCR.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF MCGRAW-HILL COMPANIES INC.**

MH/USPS-T10-19 With reference to your statement in response to MH/USPS-T10-8(c)-(d) that the "main reason" for processing non-carrier route, prebarcoded flats in non-automation operations was "not enough flat sorting capacity, which required the flats to be sorted in a manual operation":

- (a) Please confirm that the USPS Strategic Improvement Guide for Flats Processing (USPS-LR-I-193) was issued in September 1999 to address declining productivity in mechanized and automation flats processing as well as the "alarming statistic" that more than 50 percent of all non-carrier route, prebarcoded flats were not processed in automation operations in FY 1997, but rather were "keyed on an FSM mechanized operation" or cased manually (d. p.3). If you do not confirm, please explain fully.
- (b) Please confirm that the USPS Strategic Improvement Guide for Flats Processing does not point to a shortage in FSM capacity as a reason for these problems, but rather points to the need to "maximize the utilization of flat sorting equipment" @ p.12) and other factors. If you do not confirm, please explain fully.
- (c) Please reconcile your response to MH/USPS-T10-8(c)-(d) with the USPS Strategic Improvement Guide for Flats Processing.
- (d) Please confirm that if a shortage in FSM capacity were the main reason why 50 percent of non-carrier route, prebarcoded flats was processed in non-automation operations in FY 1997, this would imply a nearly 50 percent shortage in FSM capacity in FY 1997. If you do not confirm, please explain fully.
- (e) Please quantify, in percentage terms, the degree of the shortage in FSM capacity in FY 1997, and explain fully how you arrived at that figure.
- (f) Apart from your response to MH/USPS-T10-8(c)-(d), please state and explain all other reasons why machineable, non-carrier route, prebarcoded flats were processed in non-automation operations in FY 1998 and/or FY 1999, and explain the relative importance of each reason.

Response:

- a. The guide was issued to increase awareness of the issues surrounding flats processing with the ultimate goal of decreasing the processing cost of flats.
- b. Not confirmed. Though some facilities may have the necessary flats sorting capacity, others do not, and a shortage of FSM capacity does exist, system-

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF MCGRAW-HILL COMPANIES INC.**

wide. The guide attempts not to convince facilities that the necessary capacity exists in their plant, but attempts to assist facilities in maximizing the utilization of their existing complement of equipment.

- c. There is nothing to reconcile. See response to part (b).
- d. Not confirmed. Using *all* manually processed prebarcoded flats as the driver for determining our FSM capacity shortfall would not be appropriate. Smaller facilities may not have the required volume and run time to justify a flat sorting machine or may be able to fully justify only one machine but not a second, for example. In these situations it would be more cost effective to process all or a portion of the mail in manual operations. Nor does this consider that we do not purchase equipment to handle the volumes on 100% of the days. For example, we do not buy letter processing equipment to handle the volume during the heaviest two weeks in December; it would not be cost effective to have the equipment standing practically idle and occupying floor space for the rest of the year. In addition, our goal, most likely, will *never* be to process *all* zones on FSMs. Page 13 of my testimony includes the guidelines for what zones are likely for FSM incoming secondary flats processing with AFSM deployment and Tr 5/1977-1978 discusses various expected incoming secondary percentages in the test year.
- e. I have no data to support an estimate of the FSM capacity shortfall in FY97.
- f. Refer to the response for MH-T10-3 a, b, and f. The level of importance would vary from facility to facility.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.**

MH/USPS-T10-20 With reference to your response to MH/USPS-T10-8(e), which refers generally to the testimony of witness Yacobucci (USPS-T-25), please redirect that interrogatory (in accordance with the preamble to MH/USPS-T10-11) to witness Yacobucci for a meaningful response.

Response:

It is my understanding that the extent to which nonautomated processing of barcoded flats has singularly impacted USPS estimates of workshare savings and/or the level of proposed automation discounts for Periodicals has not been quantified. As mentioned in the response to MH/USPS-T10-8(e), please refer to the testimonies of witness Yacobucci and witness Taufique for discussions on workshare savings and proposed discounts based on the test year environment.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF MCGRAW-HILL COMPANIES INC.**

MH/USPS-T10-21 With reference to your response to MH/USPS-T10-9:

- (a) In measuring the percentage of non-carrier route presort flats prebarcoded by mailers (regardless of class or rate category), to what extent does the Postal Service rely on machine counts of such mail?
- (b) To the extent that the Postal Service relies on machine counts, please confirm that the current shortfall in FSM 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 fully.
- (c) Please provide any and all USPS projections in the growth of prebarcoded flats for FY 1998 and/or FY 1999, as requested in MH/UPS-T10-9(b). (Such projections are not apparently incorporated in the testimony of USPS witnesses Tolley or Musgrave).

Response:

- (a) The Postal Service does not rely on the machine counts of such mail.
- (b) N/A
- (c) See response to DMA/USPS-T10-26.

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: 4-27-2022

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 28, 2000