

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY
TO INTERROGATORIES OF
THE ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-ST42-1-10 and 11-13)

The United States Postal Service hereby provides the responses of witness O'Tormey to the following interrogatories of the Alliance of Nonprofit Mailers: ANM/USPS-ST42-1-10, filed on April 24, 2000, and 11-13, filed on April 26, 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



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May 8, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY
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ANM/USPS-ST42-1 At page 15, lines 20-21, you state that "By 1998, we were processing about forty percent of the barcoded flat volume in automated operations."

- a. Please define the term "automated operations" as you use it here.
- b. Under what conditions does the Postal Service consider an FSM that is fed manually be considered an "automated operation"?
- c. What functionalities distinguish a "mechanized operation" on flat sorting from an "automated operation"? That is, what step(s) (e.g., added BCR capability OCR capability, etc.) transform a mechanized operation into an automated operation?

Response:

- a) In 1998, flat mail processing using the barcode readers (BCR) on the FSM 881 was considered an "automated operation."
- b) Non-keying flat mail distribution using the BCR or flat mail optical character reader (FMOCR) is considered an automated operation. Currently, all FSMs are manual feed (the AFSM 100s just now being deployed are auto feed).
- c) A mechanized operation utilizes an operator to key address information where as an automated operation utilizes the BCR/FMOCR to read address information.

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ANM/USPS-ST42-2 At page 12 of your testimony, you note that periodicals and Standard A flats can have addresses "in various locations and in multiple orientations" and, consequently, such mail must be rotated for address readability in both keying and manual operation.

- (a) Please confirm that this observation about the address location, and the need for possible rotation to read the address, have always been true for periodicals and flats. If you fail to confirm without qualification, please explain fully and produce all Postal Service data on which you rely.
- (b) Has the address location on periodicals and flats become less standardized since 1989? If so, please explain fully, and produce all Postal Service data on the extent of any such trend.
- (c) If the locations and multiple orientations of addresses on flats were essentially as diverse in 1989 as in 1999, please explain how the diversity of locations and orientations of addresses has contributed in any way to the increased inflation-adjusted unit cost for processing periodicals. Please explain fully, and produce all data, studies and other information that would enable third parties to test and verify your explanation.

Response:

- a) Although the possible need for rotation of Periodicals and flats to read address information has always existed, the necessity to do so was magnified with the advent of flats mechanized/automated processing. In an all manual environment, addresses were oriented in the same direction on the first handling and maintained that orientation for subsequent handling. However, as described in c) below, the introduction of FSMs and FSMBCR automation magnified the problem of inconsistent address locations.
- b) At one point, there were required address locations outlined in the Domestic Mail Manual (DMM). Currently there are "recommended" address locations. In the early 1990's, the Postal Service worked with the industry to identify their preferred

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address/barcode locations that would be conducive with industry processes and FSMBCR distribution.

- c) During the first distribution (i.e. incoming/outgoing primary) on the FSM, the need to rotate mail pieces is less of an issue and is related to the size of the bundles. The smaller the bundle, the more bundles loaded on the feed table, the more flats requiring rotation. However, during the second distribution (i.e. incoming secondary) either on the FSM or manually, flats to be distributed from the primary distribution have come from four separate consoles and/or several different machines. It is conceivable that every flat during the second distribution could require individual orientation.

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ANM/USPS-ST42-3 At page 11, you discuss the problem of bundle breakage.

- a. Have bundles of periodicals been breaking with increasing frequency since 1993? If so, please explain fully why more bundles are breaking, and produce all data, studies and other information that would enable third parties to verify the extent and cause(s) of any trends in the frequency of bundle breakage since 1993.
- b. Are bundles of periodicals submitted to the Postal Service on pallets more likely to break than bundles submitted in sacks? Please explain fully any affirmative answer, and produce all data, studies and other information that would enable third parties to test and verify your response.
- c. If the frequency of bundle breakage has been relatively constant between 1993-1999, please explain how this consideration has contributed to the increased inflation-adjusted unit cost for periodicals. Please produce all data, studies, and other information that would enable third parties to test and verify your response.

Response:

- a) I am not aware of any data or studies that state that bundles have been breaking with increasing frequency since 1993. However, with increased mechanical handling, more polywrapped flats in bundles, glossy covers, small Periodical bundles, and skin sacks, I would suspect that breakage has increased.
- b) It has been my experience that bundles in sacks are more likely to break during handling than bundles on pallets. The current MTAC group has also found this to be the case.
- c) N/A

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ANM/USPS-ST42-4 At page 17 of your testimony, you state that a contributing factor to the downward trend in FSM operational productivity was the reduction in the number of experienced supervisors who chose to retire during an internal reorganization.

- a. In which years did the retirements of experienced supervisors from this internal reorganization occur?
- b. How many experienced supervisors retired in each year in this period?
- c. Approximately what percentage of experienced supervisors retired during each year in this period?
- d. By FY 1998, to what extent had the Postal Service recovered from the loss of experienced supervisors that occurred as a result of the internal reorganization?
- e. Please explain how the loss of experienced supervisors on account of reorganization contributed to the increase in the unit cost of periodicals in FY 1997-98 time frame.
- f. Please produce all data, studies, and other information that would enable third parties to verify your response.

Response:

a) 1992/93

b) There were 11,249 fewer Field Career Supervisors/Managers in 1993 than there were in 1992.

c) Approximately 26% of the Field Career Supervisors/Managers were off the rolls in 1993 as compared to 1992.

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- d) From 1993, mail volume continued to grow and the Postal Service continued to deploy new processing equipment. However, by 1998, there were only 4,572 Field Career Supervisors/Managers over the 1993 level, still more than 6500 fewer than in 1992.

- e) In addition, during this time the floor supervisor's span of control increased while the level of experience had decreased. In the flat mail operation, it was not unusual for one supervisor to have responsibility for four FSMs, or have additional duties other than FSM supervision.

- f) The number of Field Career Supervisors/Managers on the rolls can be found in the Postal Service's annual reports.

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ANM/USPS-ST42-5 At pages 12-13 of your testimony, you discuss problems with processing periodicals on FSMs that are equipped with OCRs (in addition to BCRs).

a. Has the deployment and utilization of OCRs on FSMs contributed to the observed decline in productivity of FSMs and the increased unit cost of periodicals?

b. Please explain fully any affirmative answer to the previous part of this question, and produce all data, studies, and other information that would enable third parties to verify your response.

Response:

a) Yes.

b) Although the productivity on the FSM 881 while operating in the FMOCR mode is similar to the BCR mode, it is about 30% higher than when operating in the keying mode. Nevertheless, utilization of the FMOCR can contribute to the overall decline. For example, with the FMOCR: (1) rejects must be handled a second time on the FSM in the keying mode; (2) the problem flat mail pieces highlighted by witness Kingsley can contribute to increased costs; and (3) shorter keying runs increase costs. Witness Unger's testimony provides an explanation of this "misimpression of a decline in efficiency" with the introduction of the FMOCR.

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ANM/USPS-ST42-6 At several places in your testimony you allude to an existing shortage of flat sorting capacity; e.g., "given capacity limitations" (page 11, line 21); "our constrained FSM 881s" (page 16, line 3); "the AFSM 100 will provide much needed additional capacity" (page 21, line 14).

- a. Approximately when did the Postal Service first experience a shortage of processing capacity with respect to its flat sorting machines?
- b. Did managers of the plant and distribution centers request more flat sorting capacity from headquarters? If so, when? If not, why not?
- c. Did headquarters request top management and/or the Governors to authorize purchase of more flat sorting capacity? If so, when? If not, why not?
- d. Were prior requests for acquisition of FSMs (either the FSM 881 or the FSM 1000) reduced or curtailed by top management or the Governors? If so, when to what extent, and for what reason(s)?
- e. In terms of the capacity of FSM 881s (or FSM 1000s), approximately how many additional machines would have been required in FY 1998 to have eliminated the capacity shortage to which you allude?
- f. What prevented the Postal Service from acquiring more flat sorting capacity before, say, 1993-94, so as to have materially alleviated (or even eliminated) the shortage of capacity in 1998? Please discuss fully all reasons why the Postal Service finds itself operating with such a pronounced shortage of capacity for mechanized sorting of flats, and produce all data, studies, and other information that would enable third parties to test and verify each such reason.

Response:

- (a) Initially, as we mechanized flat mail processing, there were capacity constraints in many flat processing operations. As the flat mail volume grew throughout the 1990s, and we began incoming secondary and automated processing, it was difficult to eliminate capacity constraints. Incoming secondary mail has traditionally been processed manually at our delivery units. In our efforts to

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mechanize, and then automate flat mail distribution, we continually added short barcode mail runs and incoming secondary zone runs to the FSM 881 to fully utilize the machines. First, incoming secondary zones were added as keying operations and later as barcode operations. There was only a small difference between the keying productivity of the incoming secondary FSM 881 processing and manual processing at the stations, so a more efficient automated FSM was required to process additional volume. With the availability of the Automated Flat Sorting Machine (AFSM) 100, however, the savings from higher productivity are much more substantial. Management requested funding approval from the Board of Governors in June 1998 to purchase 175 AFSM 100s to meet our additional processing needs.

(b) Yes in 1993.

(c) Yes. The Board of Governors authorized funding to purchase 175 AFSM 100s to meet additional capacity needs in June 1998. Also, the Board of Governors approved funding to purchase 102 FSM 1000s (in April 1994) and 240 FSM 1000s (in December 1996). The FSM 1000 is used to process mail that falls outside of the FSM 881's specifications and was previously considered non-machineable.

(d) I am not aware of any FSM acquisition requests to the Governors being reduced or curtailed.

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- (e) The number of additional machines required would depend on the level of sort attempted. This level of sort could be to cover all distribution except additional *incoming secondary (i.e. outgoing and incoming primary)*, or to add incoming secondary capacity. However, during this period, evaluating current capacity needs was complicated by space limitations in some facilities, the fact that the FSM 881s were older equipment designs, and the future deployment of a yet to be specified next generation flat sorting machine (NGFSM) that would be much more efficient.
- (f) Please see ANM/USPS-T10-40, and NNA/USPS-T10-8.

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ANM/USPS-ST42-7 Please produce all requests from headquarters to top management or the Postal Service's Governors since FY 1993 for authority to purchase more flat sorting capacity.

Response:

Attached are briefing sheets used to request Board of Governor approval for flat sorting equipment purchases. Included are:

Next Generation FSM (AFSM 100)	June 1998
FSM 1000 Barcode Readers	December 1997
Flat Mail Optical Character Reader	May 1997
240 Flat Sorting Machine 1000	December 1996
Flat Sorting Machine 1000	April 1994

In addition, the Capital Investment Committee (CIC) recently approved the Phase 2 purchase of 363 AFSM 100s.

BRIEFING SHEET

NEXT GENERATION FLAT SORTING MACHINES

BOARD OF GOVERNORS MEETING
JUNE 1-2, 1998
OPEN SESSION

PRESENTER: William J. Dowling, Vice President of Engineering

ISSUE/PURPOSE:

This briefing requests approval of capital and expense funding to cover the purchase and installation of 175 Next Generation Flat Sorting Machines. Advances in sorting technology enable these new machines to process flat mail more efficiently than our existing inventory of Flat Sorting Machine (FSM) 881s. While our future plans are to replace the existing fleet of outdated FSM 881s with these new machines, this initial purchase will increase our flats distribution capacity without replacing existing machines. It will allow the Postal Service to extend automation capability and benefits to flat mail currently sorted manually.

BACKGROUND:

The Postal Service receives about 36 billion pieces of flat mail per year consisting primarily of large envelopes, newspapers, catalogues, and magazines. About 40 percent of this mail is presorted by our mailers and can be sent directly to the carrier for delivery. The remaining 60 percent requires processing, which is accomplished either manually or in a mechanized manner using the FSM 881 or FSM 1000. The FSM 881 is the more productive machine and it can handle about 75 percent of the flat mail that must be processed. The FSM 1000 can handle most of the remaining mail, consisting of pieces that are either too thick, stiff, or flimsy to be processed on the FSM 881.

Our initial purchase of existing flat sorting machines was made in 1981. Several subsequent purchases have provided us with our current inventory of 812 FSM 881s. Various enhancements have been made to these machines including the addition of barcode readers. We are now in the process of retrofitting our entire inventory with optical character readers. However, the FSM 881 still must be fed mail manually and the range of additional enhancements that can be considered is very limited. The Next Generation Flat Sorting Machine will provide us with productivity enhancements inherent in a newer technology. The new sorter will be able to process a slightly wider mailbase than the FSM 881; however, the FSM 1000 will still be needed to process flats that are not within the next generation machine's specifications.

CURRENT STATUS:

Machines from three suppliers have been modified to meet U.S. Postal Service requirements. We are currently conducting a competitive test to determine the machine that will best meet our processing needs.

BENEFITS:

The Next Generation Flat Sorting Machine has the potential to directly reduce labor hours associated with flat mail processing and to enhance our ability to meet service goals. This machine has several features not available on the FSM 881s which will contribute to enhanced productivity. It is equipped with an automatic feeder that inducts flat mailpieces into the machine for automated processing, a tray take-away conveyor with adaptability to robotic handling, and on-line video encoding for nonreadable flats.

FINANCIAL SUMMARY:

The Decision Analysis Report justifies a capital investment of \$434.492 million and an expense investment of \$11.48 million (for a total of \$445.972 million) to cover purchase and installation of 175 Next Generation Flat Sorting Machines. The net present value will range from \$408.36 million to \$800.487 million, and the return on investment will range from 30% to 45% over a 10 year operating period.

BOARD ACTION REQUESTED:

Approve \$434.492 million in capital funds and \$11.48 million in expense funds for purchase and installation of 175 Next Generation Flat Sorting Machines.

REPORT ON FSM 1000 BARCODE READERS

BOARD OF GOVERNORS MEETING

December 8-9, 1997

Open Session

PRESENTER:

William J. Dowling
Vice President
Engineering

ISSUE/PURPOSE:

This briefing provides information about the addition of Barcode Readers to all Model 1000 Flat Sorting Machines and requests capital and expense funding to cover their purchase and installation. The barcode reader will supplement the existing manual keying operation on the Model 1000 with an automated processing capability for those mailpieces that are prebarcoded by our customers. This purchase will allow the Postal Service to extend automation capability and benefits to the Model 1000 mail base.

BACKGROUND:

Model 1000 Flat Sorting Machines are used to process what was previously considered non-machineable flat mail in a mechanized mode. With the addition of a barcode reader, prebarcoded flats can be processed in a semi-automated manner. In this mode, the operator will place a barcoded flat mailpiece directly into the machine without having to first manually key in destination information (e.g., zip code).

CURRENT STATUS:

The barcode reader is being developed in two phases. Funding in the amount of \$2.797 million was previously approved by the Vice President of Engineering to cover Phases I and II. Phase I ended in June 1997 following a successful two week prototype test at the Syracuse Processing and Distribution Center. Phase II will conclude in late November 1997 following successful completion of a three week field test at the Tampa Processing and Distribution Center.

BENEFITS:

Additional automated processing capability for flats will result in lower processing costs, enhanced processing capacity, increased sortation accuracy, and improved service. The addition of barcode readers to the Model 1000 will allow us to extend the time proven benefits of automation to more mailers and a broader base of mail, including newspapers and catalogs.

FINANCIAL SUMMARY:

The Decision Analysis Report justifies a capital investment of \$32.141 million and an expense investment of \$1.960 million (for a total of \$34.101 million) to cover purchase and installation of barcode readers on all 346 Model 1000 Flat Sorting Machines. The net present value will range from \$11.6 to \$78.8 million, and the return on investment will range from 20% to 61% over a 10 year operating period.

BOARD ACTION REQUESTED:

Approve \$32.141 million in capital funds and \$1.960 million in expense funds for acquisition and installation of barcode reader systems on all Model 1000 Flat Sorting Machines.

FLAT MAIL OPTICAL CHARACTER READER

BOARD OF GOVERNORS MEETING

May 5 & 6, 1997

Open Session

PRESENTER:

William J. Dowling
Vice President
Engineering

ISSUE/PURPOSE:

This briefing introduces and requests funding for Flat Mail Optical Character Reader (FMOCR) modifications to existing Flat Sorting Machines. The OCR modifications will enable this equipment to automate the processing of all flat mail, both barcoded and non-barcoded.

BACKGROUND:

The Postal Service currently relies on 812 Flat Sorting Machines (model 881) to process machinable flat shaped mail. These machines currently operate in a manual keying mode for non-barcoded mail and an automated mode for mail that is barcoded by our customers. This requires separate mail streams for these two types of mail.

BENEFITS:

The FMOCR will reduce keying workhours on the 881 Flat Sorting Machines by automating the processing of non-barcoded flat mail. Because of this ability to process both barcoded and non-barcoded mail together the current need to have separate barcoded and non-barcoded mail streams will be eliminated.

FINANCIAL SUMMARY:

This DAR recommends a capital investment of \$147,036,000 as well as an expense investment of \$2,292,000. The economics of this decision analysis report were evaluated using an expected performance range for the FMOCR that generated the following results. For the lower bound scenario the net present value is \$196,536,000 with a return on investment of 47.1%, while the upper bound projects a net present value of \$546,877,000 with a return on investment of 94.2%.

BOARD ACTION REQUESTED:

Approve \$147,036,000 of capital funds and \$2,292,000 of expense funds to procure FMOCR modification kits.

240 FLAT SORTING MACHINE 1000s
BOARD OF GOVERNORS MEETING
December 3, 1996

PRESENTER:

William J. Dowling
Vice-President
Engineering

ISSUE/ PURPOSE:

This briefing will provide information about the Flat Sorting Machine 1000 (FSM 1000) and request funding for 240 of these systems. The FSM 1000 will mechanize operations that are currently performed manually.

BACKGROUND:

The FSM 1000 is capable of handling flat mail that, due to this mail's physical characteristics, cannot be processed on existing flat sorting machines. It is a four induction station machine with 100 sortation points. The keyer places a flat into the machine and keys in information concerning the destination of the mail piece. The machine then sorts the mail piece to the appropriate bin based on this information. Six operators are required to process flats on the FSM 1000. The FSM 1000 will process flats at a throughput rate of over 4400 flats per hour.

The first 102 FSM 1000 machines were approved in 1994. Acceptance testing of the first machine was just completed and deployment of the remaining machines has begun. This request for 240 additional machines will begin deployment in September 1997.

BENEFITS:

The FSM 1000 will replace manual sorting. This increases productivity from 391 pieces per hour (pph) in manual operations to 650 pph on the FSM 1000. The additional bin separations will also reduce handlings by 5 percent. An intangible benefit is the additional management information provided which results in better operations management.

FINANCIAL SUMMARY:

This DAR justifies a capital investment of \$109,072,000 and an expense investment of \$2,159,000. The net present value will range from \$157 to \$388 million. The return on investment will be within the range of 37% to 66% over a 10 year period.

BOARD ACTION REQUESTED:

Approve \$109,072,000 in capital funds and \$2,159,000 in expense funds for the acquisition of 240 FSM 1000 systems.

Funding For The Flat Sorting Machine 1000 (FSM 1000)

BOARD OF GOVERNORS MEETING

April 4-5, 1994

PRESENTER:

William J. Dowling
Vice President
Engineering

ISSUE/PURPOSE:

The FSM 1000 Decision Analysis Report justifies the procurement of 102 FSM 1000s to mechanize manual flat sortation. The Decision Analysis Report was submitted to the Board of Governors in February and at the March meeting Bill Dowling provided an informational briefing which highlighted the features of this new equipment. During the April meeting, Bill will return to provide additional information and seek approval to purchase 102 of these machines.

BACKGROUND:

Mailers presort the majority of our flat volume to carriers, and the Postal Service processes the remaining either manually or on existing flat sorting machines (FSM 881). Presently, about 25 percent of flats sorted by the Postal Service are nonmachinable on the FSM 881 and processed via manual operations. The FSM 1000 is targeted to replace a portion of the manual operation, specifically *nonmachinable outgoing, managed mail (MMP), and incoming primary mail volumes*. This machine will process mail at a considerably higher productivity than today's manual operation and will complement the existing FSM 881 capabilities by processing nonmachinable mail.

FSM 1000 BENEFITS:

The FSM 1000 will generate its benefits by replacing manual handlings. Today's average manual productivity of 427 pieces per hour can be increased to 650 pieces per hour using the FSM 1000; an increase of 52 percent. Additionally, the increase in separations on the FSM 1000 over the manual operation will result in a 5 percent reduction in piece handlings.

The FSM 1000 also provides various types of status information which can be used to monitor volume, throughput, and productivity. These reports assist management in improving operations and service. The 102 machines requested will allow the Postal Service to mechanize 4.8 million pieces daily.

SUMMARY, FUTURE PLANS, AND RECOMMENDATION:

Capital investment of \$41,705,000 and an expense-related investment of \$1,393,000 are required for the 102 FSM 1000s. The projected savings over a ten year period provide a net present value of \$159,820,000 and a return on investment of 69.4%. If approved, deployment would begin in January 1995 and be completed in December 1995. It is recommended that the Board of Governors approve funding for this equipment.

BOARD ACTION REQUESTED:

Funding approval is requested from the Board.

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ANM/USPS-ST42-8 Please produce all communications from top management or the Postal Service's Governors to Postal Service headquarters employees since FY 1993 concerning any requests for authority to purchase more flat sorting capacity.

Response:

Requests for capital investment are made to the Postal Service's Board of Governors (BOG) during their monthly meetings. I am not aware of any formal correspondence from top management or the BOG to Headquarters employees concerning requests for authority to purchase more flat sorting machines. However, I do know that each of the requests for flat sorting equipment listed in ANM/USPS-ST42-7 was approved by the BOG. In addition, the Capital Investment Committee (CIC) recently approved the Phase 2 purchase of 363 AFSM 100s.

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ANM/USPS-ST42-9 Please produce all data, studies, and analyses quantifying the "negative effect on reported FSM productivity" resulting from the development described on lines 13-20 of page 17 of your testimony.

Response:

The effect of aligning allied labor costs with the associated direct distribution varied considerably from site to site. There are no studies or analysis that I am aware of which quantify the effect on FSM productivity. In the future however, with the deployment of the AFSM 100, we plan to establish new MODS operation numbers to track allied labor associated with the AFSM 100.

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ANM/USPS-ST42-10 Please produce all data, studies, and analyses quantifying the effect on reported FSM productivity resulting from the developments described in your testimony at page 17, line 21, through page 18, line 15.

Response:

There are no studies or analysis that I am aware of which quantify the effect of the 1998 Fall Plan on FSM productivity.

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ANM/USPS-ST42-11 In your testimony on page 13, lines 9 through 13, you discuss the issue of decisions undertaken by managers that "incur cost to avoid missorting mail, which can result in delay". Also, on page 18, lines 6 through 8, you address the issue of USPS' difficulty in reducing the number of employees during the fall 1998 mailing season. For the period from 1989 through 1999, please provide annual volume, work hour and productivity data for:

- a. Flats sorted using automated (BCR/OCR) equipment
- b. Flats sorted using higher level employee keying input.
- c. Flats sorted manually.

Response:

	<u>Volume</u>	<u>Workhours</u>	<u>Productivity</u>
a) FY 99 FMOCR	5.75 B	8.1 M	710
FY 99 FMBCR	2.7 B	3.8 M	720
FY 98 FMBCR	5.1 B	6.4 M	800

b) We don't track keying by level, however, keying data are as follows:

FY 99 Keying	7.85 B	16.9 M	465
FY 98 Keying	12.1 B	21.45 M	565

c) FY 99 Manual	6.1 B	15.1 M	410
FY 98 Manual	7.8 B	17.0 M	460

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ANM/USPS-ST42-12 What policy guidance has Postal Service management provided to employees in the field to help them make tradeoffs between (1) using less efficient higher cost methods for sorting flats (e.g., manual sorting) and (2) using the most fully mechanized and automated equipment resources? Please produce copies of all guidelines, memoranda, and other documents setting forth or reflecting such policy guidance.

Response:

In March 1998, the Postal Service distributed the Strategic Improvement Guide for Flats Processing, Publication 128 (USPS-LR-I-193), and updated the document in September 1999. This document provides guidelines and is the primary reference tool for field employees for decision making in flat operations. The Strategic Improvement Guide for Flats Processing covers such issues as equipment utilization, managing FSM operations, flat mail flows, and decentralization.

As we begin deployment of the AFSM 100, the field has been provided with a "Flats Processing Cost Comparison" tool. This tool is intended to provide an easy to understand representation of the costs associated with the various handling required to sort flat mail based on which machine type is used. It assists with decision making to determine the most efficient method for flat mail processing.

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ANM/USPS-ST42-13 Does the Postal Service record the volume of mail received that is compatible with mechanized or automated flat sorting equipment?

a. *If so, what amount and percentage of such mail is actually processed using mechanized or automated equipment?*

b. For the period 1989 through 1999, please provide annual data showing the total amount of machine-compatible flat mail that was diverted to less efficient sorting methods because flat volumes exceeded the capacity of mechanized or automated flat sorting capacity.

c. Please produce (or cite, if publicly available) documents sufficient to verify your responses to parts a and b.

Response:

(a)-(c) The Postal Service does not record the volume of flats that is compatible with sorting equipment; we record the volume of mail that has been distributed manually or on the flat sorting equipment.

DECLARATION

I, Walter F. O'Tormey, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Walter F. O'Tormey

Dated: 5-8-00

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 black ink, appearing to read "Susan M. Duchek", written over a horizontal line.

Susan M. Duchek

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May 8, 2000