

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 UNGER
TO INTERROGATORIES OF
THE ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-ST43-1-4)

The United States Postal Service hereby provides the responses of witness Unger to the following interrogatories of the Alliance of Nonprofit Mailers: ANM/USPS-ST43-1-4, 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.
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May 10, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER
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ANM/USPS-ST43-1 In Section IV of your testimony, beginning on page 13, you discuss the issue of flat sorter productivity. In particular, you note that the Southeast Area productivity trend has followed the national trend, and over the past four years has declined from 711 total pieces handled per work hour to 545 total pieces handled per work hour, a decline in productivity of some 28 percent. You note that "beneficial operational changes have had a very significant impact, but have contributed to the impression of a loss in productivity." (Emphasis added.)

- a. Please identify and describe each such "beneficial operational changes."
- b. Have these "beneficial operational changes" been effective to offset fully the apparent decline in productivity over this period? If so, please explain how.
- c. Produce all data indicating the extent to which these "beneficial operational changes" have offset the apparent decline in productivity over this period.

RESPONSE:

- a. The "beneficial operational changes" include sortation to carrier routes on FSM equipment, shifting of volume to FSM 1000 equipment, and the introduction of bar code and optical character readers.

Distribution of flats to carrier route on FSM equipment is more efficient than the manual sorting which it replaces. The mail processed on FSM equipment includes flats previously sorted by either the Postal Service or mailers to the the five-digit ZIP Code level. Sorting to carrier route is accomplished primarily by use of bar codes or optical character readers and, to a lesser degree, by keyers.

The FSM 1000 is capable of processing a wider range of flats in terms of dimensions, weight and packaging surfaces. Where practical, many plants now process virtually all mail volume of certain sort schemes, such as SCF, outgoing, or incoming primary, on this equipment. The result is the reduction or elimination of redundant sweeping, set-up, and allied labor tasks, which would otherwise be needed if several types of equipment were utilized.

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Although the introduction of bar codes and optical character readers increased efficiency overall, it became necessary to separate machinable flats as to readability characteristics.

- b. These changes have not offset fully the decline in FSM 881 productivity, but have had a very significant positive impact on the Southeast Area budget.
- c. There are no data that address these changes directly. Operational changes such as these are quantified as reductions to our annual budget. We achieved our operating budget targets each fiscal year, from 1995 through 1999.

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ANM/USPS-ST43-2 You contend that sorting mail to carrier route is more efficient when performed on FSM 881 equipment, but note that throughput of the machine is affected by the change from one set of five digit zones to another.

- a. Do the guidelines now in place assure that decisions negatively affecting machine utilization are offset by greater savings generated in other areas?
- b. Describe these guidelines and the process in which they are used, and produce copies of all such guidelines in current use.
- c. Provide examples of how tradeoff decisions regarding machine and personnel utilization are evaluated to determine if they were truly effective.
- d. Produce copies of all such evaluations performed since 1993 by or for (1) regional management for Florida, Georgia, Alabama, Mississippi or Tennessee or (2) Postal Service headquarters management.

RESPONSE:

- a. It is my opinion that the guidelines assure that we realize net savings on this type of decision.
- b. The only guidelines of which I am aware regarding carrier sortation are incorporated into our Publication 128, Strategic Improvement Guide for Flats Processing, previously filed as USPS-LR-I-193.
- c. Tradeoff decisions take two general forms. One is intended to produce long-term changes in processing methods; the other involves decisions made to address immediate circumstances.

More long-term decisions would include moving FSM equipment among our processing facilities and using additional capacity if it becomes available on an ongoing basis within a prescribed window.

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In instances where we have found that FSM equipment was not utilized adequately, we have moved it to new locations, even to the extent of moving machines between Areas.

When we identify opportunities to use additional sorting capacity on FSM equipment, processing managers may establish new sort schemes and begin processing flats for additional ZIP Code areas on the available machines. The initial decisions regarding sortation to carrier routes, cited in my response to ANM/USPS-ST43-1, is a key example of this type of decision.

The other general category of decisions includes the day-to-day decisions made to address immediate circumstances. These decisions are made based on a variety of factors, any of which may be relevant at a given time and any of which may change within minutes. Factors might include the volume of mail available, anticipated volumes yet to be received, various characteristics of available mail, time left in the processing window, staffing considerations at the plant or at the delivery units, transportation availability, weather or other natural conditions, and other circumstances.

Please refer to Witness Kingsley's responses to Interrogatories MH/USPS-T10-3 and NNA/USPS-T10-15 for additional perspectives on decision criteria, particularly with respect to the second category of decisions.

- d. I know of no instances where written evaluations have been completed or kept. The decisions described in subsection (c) are made based on the experience of the managers involved.

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ANM/USPS-ST43-3 In your testimony on page 13, lines 26 through 30, you discuss utilization of the FSM 1000 equipment.

- a. Please explain what you mean by the statement, "many processing plants have moved all volume for given operations to this equipment."
- b. Explain the causal link, if any, between the stated phenomenon and the rising cost of handling periodical mail.
- c. Produce all data that support your response to part b.

RESPONSE:

- a. The FSM 1000 is capable of processing a wider range of flats in terms of dimensions, weight, and packaging surfaces than is the FSM 881. The term "given operations" refers generally to different sort plans for FSM operations, such as SCF, outgoing, or incoming primary.

Each time a given piece of equipment is used to distribute mail according to a sort plan different from that previously used, personnel must empty the sorting bins of all distributed mail and must perform certain set-up and other allied labor tasks to prepare for the next type of mail.

By placing virtually all volume for a given sort plan on the FSM 1000, redundant sweeping and set-up activities can be avoided for the FSM 881, thereby avoiding those costs.

In some instances, this cost-saving measure has left the FSM 881 operations with less volume in certain processing windows. This, in turn, has created a greater opportunity to process carrier route mail on the FSM 881, and thereby has increased the percentage of mail processed to carrier route to total mail volume processed for the FSM 881.

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Carrier route sortation on FSM's is generally a lower productivity operation than sortation on other sort plans, which has contributed to a decline in the average total productivity for the FSM 881.

- b. As discussed in subpart (a), some plant managers have moved processing of large batches of flat mail from FSM 881 to FSM 1000. At the same time, mailers have incorporated new characteristics, such as polywrap, into their mail pieces. A supervisor deciding where to work a batch of mail containing pieces with polywrap might process the entire batch on the FSM 1000. This would take advantage of the ability of the FSM 1000 to handle polywrap with fewer jams than FSM 881's and would save the cost of redundant sweeping and setup activities. In some instances, this could cause an increase in the cost of handling Periodicals mail within that batch of mail.
- c. There are no such data which I can produce. My response to subpart (b) is based upon my experience.

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ANM/USPS-ST43-4 On page 15, lines 8 through 12, you raise the issue of achievement of operating budget and net income. Please confirm that giving primacy as an organizational goal to meeting the "bottom line operational budget" can, in some circumstances, lead to sub-optimized performance in a particular cost segments (such as processing periodicals).

- a. If you do not confirm, please explain fully.
- b. If you do confirm, please identify all standards and procedures adopted by the Postal Service to avoid harming either the cost or quality of serving particular classes of mail.
- c. Please produce all data, studies, analyses and other documents needed for a third party to verify your responses to parts a and b.

RESPONSE:

- a. Based on my experience, I believe it is possible that the objective of minimizing total costs does not always translate into results that minimize every subset of costs.
- b. With respect to avoiding harm to the cost of serving particular classes of mail, it is my belief that Publication 128, Strategic Improvement Guide for Flats Processing, provides those standards and procedures.

I do not know what you mean by the term "quality." If you mean achieving appropriate levels of service, my answer is that with respect to avoiding harm to the quality of serving particular classes of mail, processing priorities are listed in the Postal Operations Manual (POM) Section 453 and apply to all operations.

- c. With regard to subsection (a), my response is based on my experience. I know of no data, studies, analyses, or other documents available to confirm my response.

DECLARATION

I, Dennis R. Unger, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

Dennis R. Unger
Date: 5-10-00

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 cursive script, appearing to read "Susan M. Duchek", is written above a horizontal line.

Susan M. Duchek

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