

RECEIVED

MAY 18 4 54 PM '00

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
THE MCGRAW-HILL COMPANIES, INC.
(MH/USPS-2-4)

The United States Postal Service hereby provides its responses to the following interrogatories of The McGraw-Hill Companies, Inc.: MH/USPS-2-4, filed on May 4, 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
May 18, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF MCGRAW HILL**

MH/USPS-2. Please confirm the authenticity of the attached document as a USPS "Quality Improvement Story" prepared by Detroit Bulk Mail Center personnel. If you do not confirm, please explain fully.

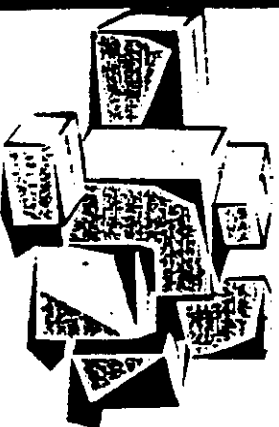
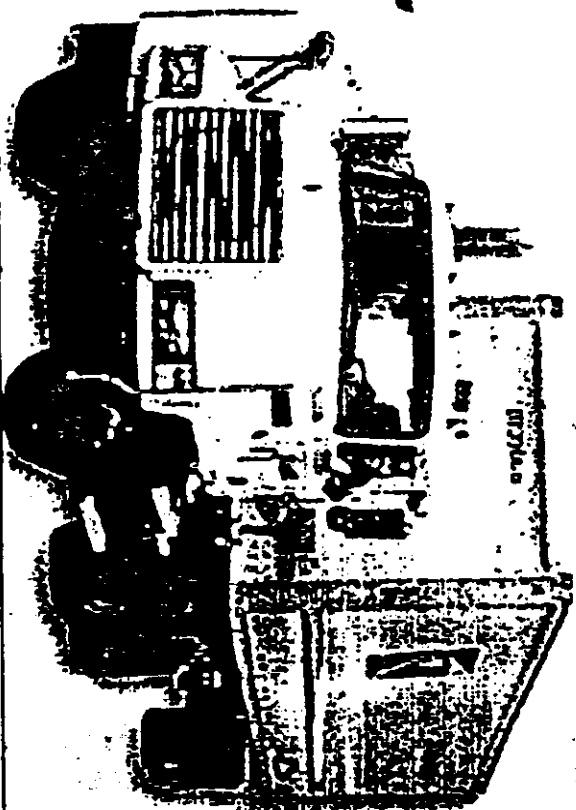
RESPONSE: Confirmed.

Fly Like an Eagle.™



DETROIT BULK MAIL CENTER

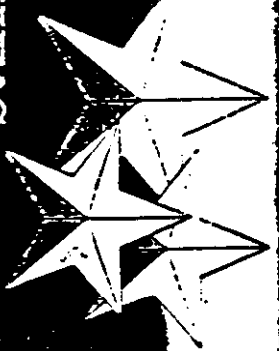
**We
Deliver
for
You!**



 **UNITED STATES
POSTAL SERVICE**

-The Team

*Fly Like an Eagle.*TM



STEPHANIE'S

**TEAM
OF**

Team Sponsor: Stephanie McCarthy

Team Leader: Richard Hohenstatt

Team Members: Cheryl Gillette

Sonja Jefferson

David Mullins

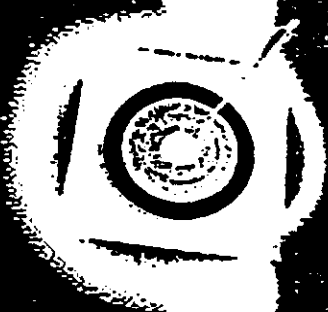
Jeff Prange

Ismael Ramos

Leonard Pulinski



GOAL



Fly Like an Eagle.™



**Reduce or eliminate the
amount of misrouted
periodicals received at
the Detroit BMC**

Problem Statement

Fly Like an Eagle.™



**84% of the periodicals
received at the Detroit Bulk
Mail Center are misrouted**

—Thermice

Fly Like an Eagle.™



**Investigate the cause of
receiving periodical mail entered
as originating mail from outside
the Detroit Bulk Mail Center
Service Area**

Reason for Improvement Fly Like an Eagle.™

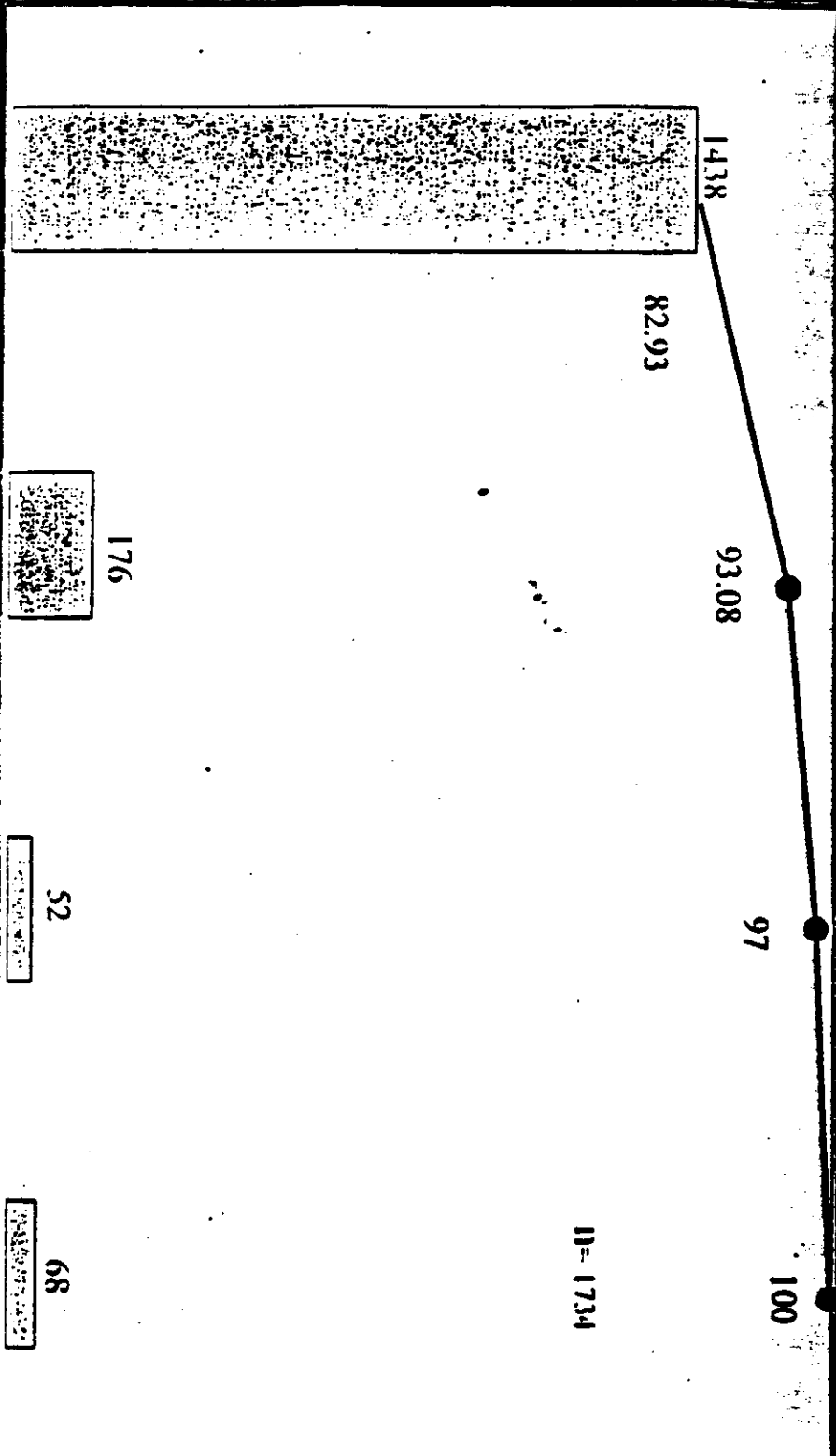


**Increase customer
satisfaction
by improving the flow
of Periodical Mail through
the BMC network**

**CUSTOMER
PERFECT™**
...first time, every time

Current Situation

Fly Like an Eagle.™



ALLEGHANY AREA

ADC GRAND RAPIDS

NEWS

OTHER (mixed) 0

10/01/99
Through
10/31/99

- Analysis

Fly Like an Eagle.™



HOUSEHOLD EFFECT ANALYSIS

SUPPLIER

PEOPLE

1997-1998

TRANSITIONAL PHASE

LACK OF COORDINATION WITH POSTAL SERVICE (1996)

OBsolete ROUTING

UNDERTAKEN PERIODICAL PROCESS

NO CUSTOMER SUPPORT AGENTS

INCOMPLETE COMMUNICATION PROCESS

NO NATIONAL SUPPORT DEVELOPMENT

LACK OF TRAINING

INCORRECT TRANSMISSION IN PLACE

OBsolete TRANS. ROUTE

FIELD TO EXISTING CONTRACTS

TO AVOID ECONOMIC PENALTIES

INCORRECT LABELING OF PLACARDS

LACK OF AWARENESS OF IDENTIFICATIONS

INADEQUATE TRAINING

TRANSPORTATION

LABELLING

84% OF PERIODICAL MAIL RECEIVED AT THE DETROIT M.I.K. MAIL CENTER ARE MISROUTED

— PRIMARY CAUSE

Fly Like an Eagle.™



TRANSPORTATION

Incorrect transportation in place.

— PRIMARY CAUSE

Fly Like an Eagle.™



PEOPLE

Unidentified periodical process

— PRIMARY CAUSE

Fly Like an Eagle.™



PEOPLE

Lack of training

—Countermeasures

Fly Like an Eagle.™



Inflict
responsible
burden of
correct
routing.

Show
advantages of
proper
routing.

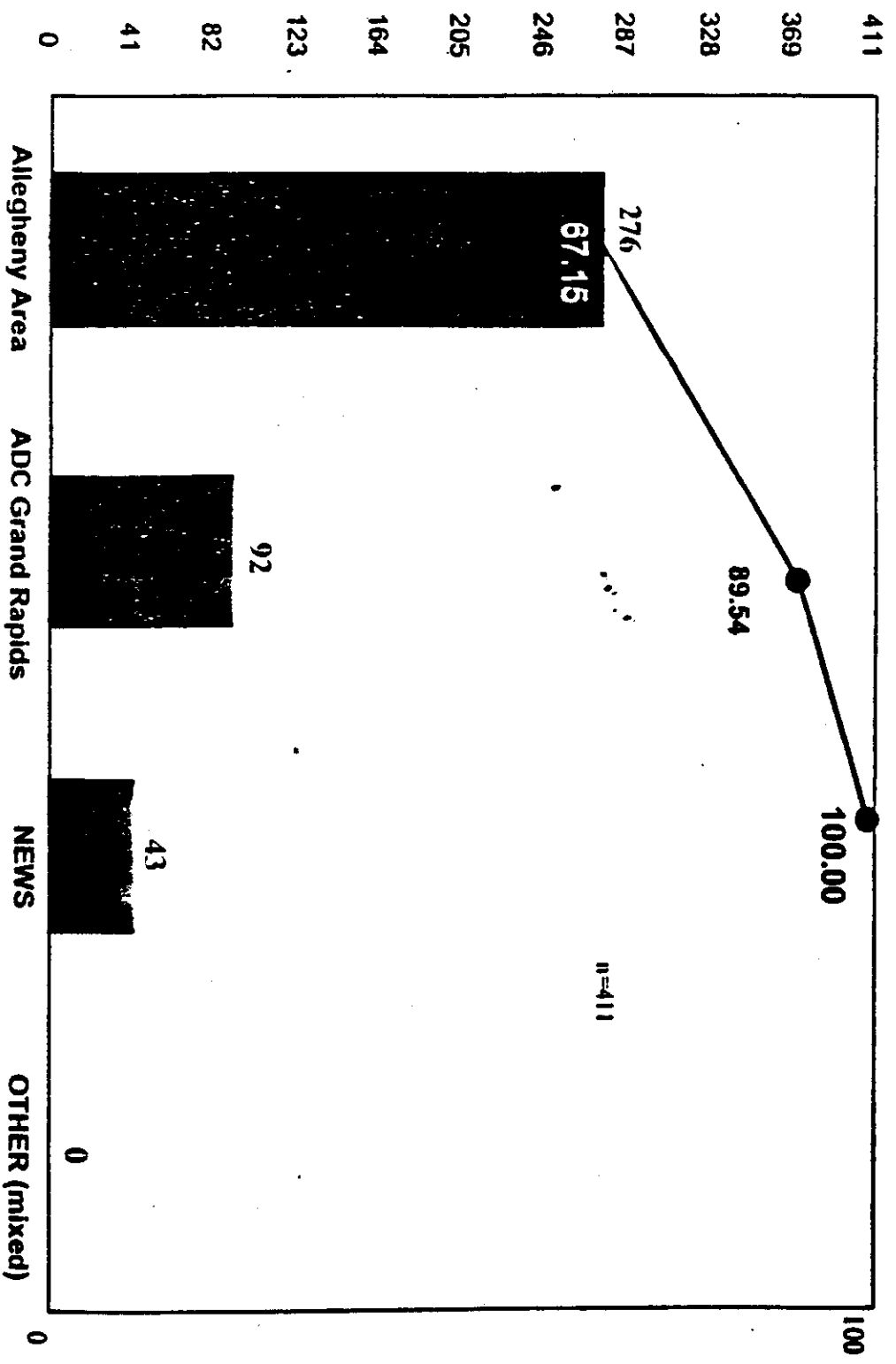
Work
cooperatively
with supplier.

Results

Fly Like an Eagle.™



Results Pareto



02/01/00
Through
02/29/00

COMPARISON CHART

Fly Like an Eagle.™



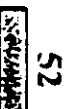
Misrouted Periodicals by Type

ALLEGHANY AREA

ADC GRAND RAPIDS

NEWS

OTHER (mixed)



n = 1734
= OCT. '99

n = 411
= VS. FEB. '00

Good



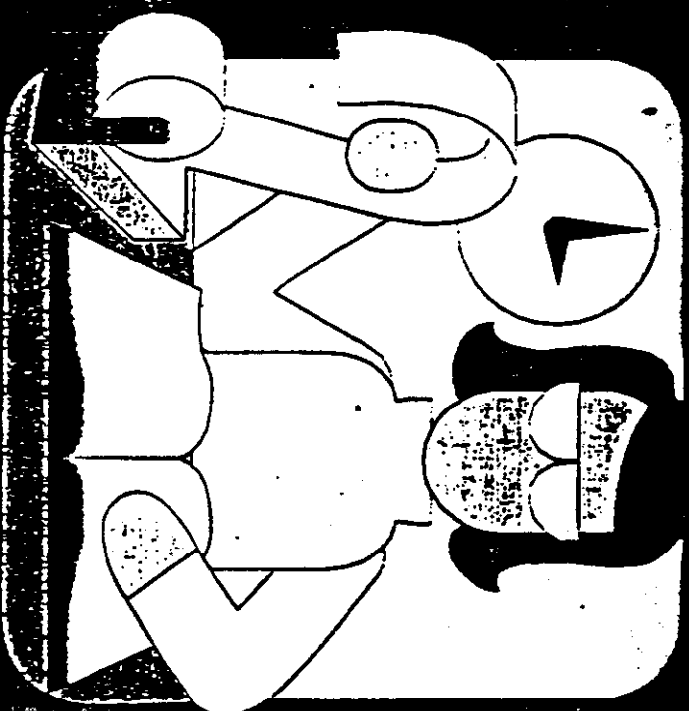
—CONVERSION RATE

Fly Like an Eagle.TM



All charts are shown in pallets.

**1734 Pallets equates to 26,000 sacks or
26 trailers of mail**



SERVICE SAVINGS ANALYSIS *Fly Like an Eagle.*TM



The findings of the team determined that by correcting the misrouting there was a savings of at least one service day per trip.



Current routing - Mansfield to Detroit BMC to Cincinnati BMC = 3 service days
Corrected routing- Mansfield to Cincinnati BMC = 2 service days

-Future Plans

Fly Like an Eagle.™



1. Continue working in conjunction with the Allegheny area to eliminate any misrouted Periodical mail sent to the Detroit Bulk Mail Center.

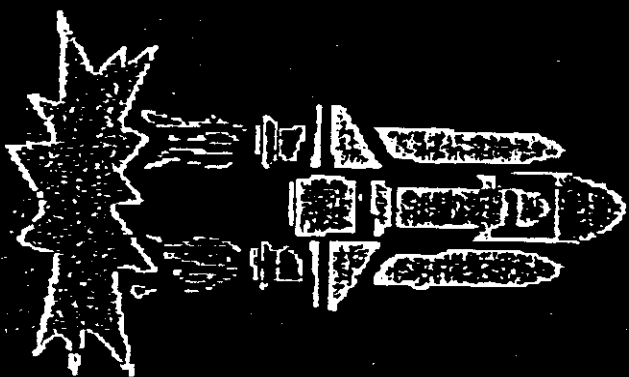
2. Focus attention on improperly sorted Periodical ADC Grand Rapids pallets being received at the Detroit Bulk Mail Center.

—Future Plans

Fly Like an Eagle.™



3. Train EVERY employee at the Detroit Bulk Mail Center on the importance of expediting Periodical mail.



**RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF MCGRAW HILL**

MH/USPS-3. Please produce copies of the following documents referred to in the testimony of USPS witness O'Tormey (ST-42), p. 19, lines 5-7, p. 20, lines 8-10, p. 22, lines 21-23, and page 23, lines 1-3:

(a) the March 1998 Strategic Improvement Guide for Flats Processing (Pub. 128), prior to its September 1999 update;

(b) the referenced "instructions to the field re-stating national policies concerning FSM utilization, maximizing automation processing, and the proper staffing for all FSM operations;

(c) the referenced "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 broken prior to reaching piece distribution operations and instructions regarding individual piece distributions on the SPBS."

RESPONSE:

(a) See USPS-LR-I-378.

(b) See Attachment A to this interrogatory.

(c) See Tr. 5/1705 and Attachment B to this interrogatory.



May 28, 1999

MANAGERS, OPERATIONS SUPPORT (AREAS)

SUBJECT: Flat Sorting Operation Complement Plan

As you know, along with concentration on improved utilization, we are making dramatic changes to flat sorting operations. Those changes include completed modifications to the Flat Sorting Machine (FSM) 881's and 1000's and will continue with deployment of the Automated Flat Sorting Machine (AFSM) 100's in Fiscal Year (FY) 2000. Impacted sites need to aggressively pursue development and implementation of related employee impact plans to capture position savings.

The addition of Optical Character Reader (OCR) capability to FSM 881 and Bar Code Reader (BCR) to FSM 1000 equipment has decreased flat keying requirements. Unfortunately, many sites have yet to begin active pursuit of related position reductions and complement mix changes. The number of FSM Operators, PS-5 and -6, on-rolls has decreased by 448 operators in the past year (PP 10 FY '98/99), predominantly through attrition. This is during the same time period that we promoted a strategy of severely reducing the use of those positions and replacing them with Mail Processors, PS-4. Further, while we sought to facilitate those actions by entering into a downsizing agreement with the American Postal Workers' Union (APWU) few installations are using the agreement. Instead FSM operator counts have seen only modest reductions, other career mail distribution employee numbers are growing, and Transitional Employee (non-remote encoding center) numbers are decreasing, when we would expect the opposite effects.

Automated Flat Sorting Machine deployment sites have been identified and volume and productivity estimates made available. We must posture offices for AFSM related position savings now. The avenue to that end is complement planning, development of impact statements, union notification of employee impact, and application of Article 12 withholding, if necessary including use of Transitional Employees under TE I agreement provisions. Present OCR/BCR flat sorter capacity provides an opportunity to eliminate scheme keying at PS-6 levels and move residual volumes to PS-5 manual distributors in Function 4. Automated Flat Sorting Machine savings in Phase 1 will come from moving manual flats distribution previously beyond plant capacity from Function 4 locations to the plants. We are moving to virtual elimination of machine keying requirements. These PS-5 and -6 operator positions, along with impacted manual distribution positions, should be held pending reversion after the impacted positions have been identified and impact statements provided to the APWU. Appropriate numbers of other career positions should be withheld for placement of impacted employees after the required union notification.

Your attention to these considerations and assistance to field sites is needed to assure committed savings are achieved.


Walter O'Tormey
Manager

Attachment

cc: Mr. Potter, Mr. Rapp, Mr. Siegel, Mr. Goldstein



ATTACHMENT B
MH/USPS-3
PAGE 1 of 2

December 30, 1999

MANAGERS, IN-PLANT SUPPORT (AREA)

SUBJECT: Periodical Package Breakage Recovery Methods

A recent survey has found that approximately 17 percent of mailer-prepared periodical flat packages in sacks are breaking either before or during induction into USPS processing operations. Periodical flat packages on pallets are breaking at the rate of approximately 0.5 percent. System-wide this equates to approximately 50 million broken periodical packages per year. These broken packages have proved costly to recover and process.

The attached report has tried to identify some of the methods of package recovery and the added costs associated with the different methods. Although this letter is mainly addressing periodical flat packages, these methods are also applicable to Standard A flat packages.

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, i.e., flat tub, u-cart etc., 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 this process a great deal more expensive, it also inflates SPBS volumes. At no time should this method be used as a processing option.

When you receive large volumes of broken packages from the same mailing, it is imperative that mail preparation irregularity reports (PS Form 3749) are filled out and the mail preparer and publisher/advertiser are notified.

Please disseminate this information to all Plant Managers for their action. If you have any questions as it relates to this request, please contact Patrick Killeen at (202) 268-2473.


Walter O'Tormey
Manager

Attachment

MAIL FLOWS AND COST ANALYSIS FOR BROKEN PERIODICAL PACKAGES

Assigning precise cost for package breakage is difficult to achieve with certainty, even under the most rigorous analysis. We have tried to identify the costs of processing broken packages showing the different recovery methods and processing options utilizing current rates, costs, and productivities.

ASSUMPTIONS

A labor rate of \$28.44/hour was used in assigning cost.

An average of 12.66 pieces per package.

An average of one-half minute (30 seconds) taken to repackage and reintroduce broken packages.

An average keying cost per 1000 of \$50.44 on FSM based on FY 99 final numbers.

An average productivity of 246 pieces per hour on SPBS.

Periodicals are incoming distribution being processed in a mechanized plant.

SUMMARY

- A.) Package broken, recovered at induction intact and reinducted.
Cost of repackaging package approximately .018 per piece/.237 per package.
No other expense incurred.
- B.) Package broken recovered at induction, loses identity and is sent to FSM.
Cost of repackaging package approximately .018 per piece/.237 per package plus the following added costs depending on sortation level.
 - 1. A carrier route (CR) package could incur two additional sortations on an FSM at a cost of approximately .100 per piece/1.266 per package.
 - 2. A 5-digit (5D) package could incur one additional sortation on an FSM at cost of approximately .050 per piece/.633 per package.
 - 3. All other packages incur no additional sortation.
- C.) Package broken and keyed individually.
Cost of keying each piece individually on SPBS of approximately .115 per piece /1.463 per package plus the following added expenses.
 - 1. A CR package could incur two additional sortations on an FSM at a cost of approximately .100 per piece/1.266 per bundle.
 - 2. A 5D package could incur one additional sortation on an FSM at a cost of approximately .050 per piece/.633 per bundle.
 - 3. All other packages incur no additional sortations.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF MCGRAW HILL**

MH/USPS-4. With reference to USPS-LR-I-81 and USPS-LR-I-90, please confirm that the following volumes of machinable, prebarcoded, non-carrier route flats in BY 1998 for First-Class, Periodicals, and Standard A mail, respectively:

First-Class:	175,794,280 pieces.
Periodicals (Regular and Nonprofit):	3.196 billion pieces.
Standard A (Regular and Nonprofit):	7.185 billion pieces.

If you do not confirm, please provide the correct volumes and explain how they were derived and calculated.

RESPONSE:

Not confirmed. USPS LR-I-81, Mail Processing Unit Cost by Shape, does not present machinable, barcoded, non-carrier route volumes. USPS LR-I-90, Flats Mail Processing Cost Model, does present machinable, barcoded, non-carrier route volumes.

Please note that USPS LR-I-90 uses total volumes simply as the means to the end of determining Test Year volume shares (or percentages of total) for each modeled worksharing element combination. USPS LR-I-90 maintains that the volume *shares* that are essentially based upon combinations of historical data from mail characteristics surveys and from billing determinants are projected Test Year volume *shares*.

Total volumes of machinable, barcoded, non-carrier route flats based upon USPS LR-I-90 data are:

First-Class:	182,888,880 pieces
Periodicals (Regular and Nonprofit):	2,685,981,624 pieces
Standard Mail (A) (Regular and Nonprofit):	7,857,971,040 pieces.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF MCGRAW HILL**

These volumes are calculated by summing the respective sacked and non-sacked volumes for scenarios 4, 8, 12, 16, 20, 24, 28, 34, 38, and 44 from USPS LR-I-90, pp. 37, 39, 41, 43, and 45.

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 over a solid horizontal line.

Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
May 18, 2000