

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

RECEIVED

JUN 16 4 01 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

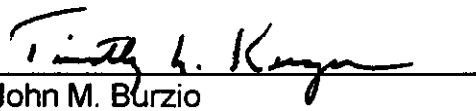
POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSES OF TIME WARNER INC.
TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
TO WITNESS JAMES O'BRIEN (USPS/TW-T2-1-3)
(June 16, 2000)

Time Warner Inc. (Time Warner) hereby provides the responses of witness James O'Brien (TW-T-2) to Postal Service interrogatories USPS/TW-T1-1-3 (filed June 2, 2000). Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,


John M. Burzio
Timothy L. Keegan

Counsel for
Time Warner Inc.

Burzio & McLaughlin
Canal Square, Suite 540
1054 31st Street, N. W.
Washington, D. C. 20007-4403
tel/(202) 965-4555
fax/(202) 965-4432

RESPONSE OF WITNESS JAMES O'BRIEN TO INTERROGATORY OF THE UNITED STATES POSTAL SERVICE

USPS/TW-T2-1. The cover sheet of your testimony indicates you are testifying on behalf of

Alliance of Non Profit Mailers
American Business Media
Coalitions of Religious Press Associations
Dow Jones & Company, Inc.
Magazine Publishers of America, Inc.
The McGraw-Hill Companies, Inc.
National Newspaper Association
and
Time Warner Inc.

On page 16, lines 10-11, of your testimony you [state] that "The Task Force also recommended a reduction in redundant "hot" service trips, which Time Inc. supports, because we do not expect hot service trips for our magazines." Does your statement only reflect the views of Time Inc., as it indicates? What, if anything, can you say regarding the views of the other organizations for which you are testifying?

USPS/TW-T2-1. Yes, my statement reflects the views of Time Inc. I have not polled the other organizations that have sponsored my testimony to determine if their member companies share this view.

RESPONSE OF WITNESS JAMES O'BRIEN TO INTERROGATORY OF THE UNITED STATES POSTAL SERVICE

USPS/TW-T2-2. On page 16 of your testimony, lines 18-20, you say that: "Most of these annexes do not have direct transportation to the delivery units. So any product that is processed in an annex must be handled at least twice more than it would if it had continued to be processed at the P&DC."

- a) What is the basis for your conclusion that most of these annexes do not have direct transportation to the delivery units? Please cite all studies or other data you have reviewed. If your conclusion is based on your own observation please list the annexes you have studied and your understanding of their transportation links.
- b) Your statement, that any product processed in an annex must be handled at least twice more than it would if it had continued to be processed at the P&DC, seems to imply some additional mail handler time (cost) associated with the annex. Is this inference correct? If so, please explain how you measured the mail handler time it would take to transport the product within the possibly multi-storied plant, accounting for its destination operation and the operation's location within the plant, and concluded that it was less than the cost of loading and unloading the product to get it to and from the annex. If your understanding is based on studies and/or data please provide them.

USPS/TW-T2-2.

- a) My conclusion is based on personal observation and discussions with Postal Service management. While visiting the Charlotte annex, Postal Service management indicated that they could save "\$12 million in costs annually by having all mail processed in one facility."

No studies or other data were reviewed because the Postal Service does not have a facility database indicating where its annexes are located and what mail is processed in each facility. In fact, the short term action item recommended by the Review Team was for National Postal Operations to: "Develop national scheme and facility list with processing responsibilities and location of each facility." Report at 13. To date, this list does not exist, but it is my understanding that it will

be developed by the end of calendar year 2000. Such a facility list will help mailers to enter mail directly into the facilities where it will be processed and help to reduce mail handling costs.

I visited the following annexes: Charlotte, NC, Greensboro, NC, and Milwaukee, WI. My understanding is that Charlotte delivered directly to some delivery units where volume warranted and all other product flowed out to the delivery units through the P&DC. In Greensboro, all of the processed mail flowed back to the P&DC for distribution to the delivery units. In Milwaukee, the annex had some direct dispatch to delivery units, but most mail flowed through the downtown facility.

- b) If mail arrives at a P&DC on a pallet and is going to be processed at the P&DC, at a minimum, the pallet must be handled once as it is removed from the mailer's truck and taken directly to the processing operation. If that same pallet arrives at the P&DC and is going to be processed at an annex, at a minimum, the pallet must be handled once as it is removed from the mailers truck and loaded onto the truck that shuttles product to the annex. Once that mail arrives at the annex, the pallet must be handled again to remove it from the shuttle truck and take it to the processing operation. If the annex does not have direct transportation to the delivery units, once the mail is processed, it will require an additional handling to load the mail back onto a shuttle truck to take it back to the P&DC, where it will be loaded onto a truck going to the delivery unit. So yes, the inference that additional mail handler time is associated with the annex is correct. In fact, in Charlotte, a Postal Service manager told me: " The annex has added people, equipment and transportation." I assume that these additions would increase cost. All of my conclusions were based upon observations and feedback from local postal

managers, not time and motion studies. Given the large reported increases in Periodicals costs over the last decade, one would have hoped that the Postal Service had conducted the necessary studies to identify means of reducing costs.

The question also asks how the costs of moving mail within a multi-storied building compare to those of loading and unloading at an annex. First, this question does not pertain to two of the facilities visited. Charlotte and Greensboro are both single story P&DCs. Only Milwaukee had a multi-story plant. The answer would depend on where Periodicals are processed in the multi-story facility. If they are processed on the first floor, then the annex would appear to have higher handling and transportation cost. If they are processed on another floor, then the handling costs may be similar, but the annex would probably have higher transportation costs. I assume that an elevator ride is less expensive than a nine-mile trip from downtown Milwaukee to the annex. There are no studies to back this up, but it seems intuitively obvious.

RESPONSE OF WITNESS JAMES O'BRIEN TO INTERROGATORY OF THE UNITED STATES POSTAL SERVICE

USPS/TW-T2-3. On page 16, lines 21-22, you say that "The Task Force observed periodicals being shipped back and forth between the P&DC's and annexes and wondered why Periodicals should be responsible for this additional expense."

- a) Please indicate the type of operations the Task Force observed in each of the annexes it visited. Please include the type of equipment that was deployed in each annex and the types of mail being worked on each piece of equipment.
- b) For each P&DC-annex combination visited please indicate the Task Force's observation of empty space in the P&DC that could have been used to deploy the equipment that was observed in the annex.

USPS/TW-T2-3.

- a) In the Charlotte annex, we viewed trucks being unloaded, bundles being processed on an SPBS, the SPBS sweeping process, FSM processing, manual processing, and truck loading. In the Greensboro annex, we viewed trucks being unloaded, LIPS processing, FSM processing, manual processing, and truck loading.

It should also be noted that prior to the FSM processing, we saw opening unit personnel removing bundles of Periodicals from a wire container and then sorting each piece individually into three other containers based upon whether the piece was automation compatible and/or a newspaper. The most disturbing part of this procedure was that each piece in a bundle was being sorted individually, yet all flats in the same bundle were virtually identical and hence had the same level of automation compatibility. It appeared that it would have been much less costly to take these bundles directly to the FSM 1000 for processing without the manual preparation.

At the Milwaukee annex, we saw truck unloading, SPBS processing, manual processing into sacks on a pipe rack, and truck loading. We also noticed that at least one of the SPBS machines in Milwaukee lacked the proper runouts, so that the machine could not use all of its sorting capacity. As a result, the bundles for many of the runouts fell into containers and were then manually sorted into other containers. My inference in this situation was that the lack of proper equipment caused an increase in labor costs.

The annexes contained the following equipment:

Charlotte: 2 SPBS, 1 FSM 881, and 1 FSM 1000.

Greensboro: 1 LIPS, 3 FSM 881's, 2 FSM 1000's and 1 Sack Sorter.

Milwaukee: 3 SPBS.

I did not keep detailed records on which type of mail was being worked on each piece of equipment.

- b) My contention with regard to empty space is not that annexes are unnecessary but rather that their costs are not being properly allocated. Growth of Periodicals class mail could not have caused the need for annexes, since Periodicals mail volume has changed less than 1% over the past 10 years. Clearly, growth of other classes of mail is creating the need for annexes, yet Periodicals mailers bear some substantial portion of the additional costs.

I also do not subscribe to the theory that Periodicals service is causing the need for annexes. A P&DC manager stated it best during one of our visits: "Annexes are being built out of necessity, not necessarily service. The necessity is being driven by volume growth and population growth."

Specifically, in my opinion, neither Charlotte, Greensboro, nor Milwaukee had available space for the equipment that was housed in the annexes. However, growth of Periodicals Class mail did not cause the P&DC space problem.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with sections 12, 25(a), and 26(a) of the Rules of Practice.


Timothy L. Keegan

June 16, 2000