

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

RECEIVED
JUN 28 4 19 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 HALSTEIN STRALBERG (USPS/TW-T1-16-18)
(June 28, 2000)

Time Warner Inc. (Time Warner) hereby provides the responses of witness Halstein Stralberg (TW-T-1) to Postal Service interrogatories USPS/TW-T1-16-18 (filed June 9, 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 HALSTEIN STRALBERG TO INTERROGATORY OF
UNITED STATES POSTAL SERVICE**

USPS/TW-T1-16. Please refer to your testimony at page 26, footnote 20. You state that Periodicals are "the first to be moved to annexes." Please describe fully the basis for your statement. Please provide detailed citations to studies and/or reports, and describe in detail and provide any other data and/or analysis, that you use to support your position.

USPS/TW-T1-16. The possibility that significant additional costs may be attributed to Periodicals when postal facilities move part of their operations to annexes as a short term "fix" for space capacity problems caused by mail volume growth was noted by the Periodicals Operations Review Team. Its report, which can be found in LR-I-193, stated:

Issue 10: Mail Processing Annexes. Plant managers, faced with crowded conditions due to rapidly increasing mail volume, often choose to "solve" the problem by farming out Periodicals processing to separate annexes. The result is added transportation and handling costs for Periodicals. While the best long term solution may be to build new and larger plants, we recommend steps be taken to mitigate the immediate problem.

As noted by witness O'Brien (TW-T-2), the Team encountered three facilities that had recently expanded to annexes located some distance from their main plants. In each of these cases, the processing of flats bundles had been moved in order to allow more space for the remaining activities in the main plant. In each case, it was also clear that substantial additional transportation and handling costs were being incurred as a result of the processing in separate facilities.

One hopes, of course, that these quick fixes are only temporary and that in the long run the Postal Service will respond to volume growth by creating new and more efficient plants under a single roof.¹

¹ I believe this is what normally does occur. For example, in 1978 I helped the Postal Service conduct a data collection in 18 mail processing facilities (17 SCF's and one BMC) to determine the characteristics of all arriving mail. Two of those facilities were "split," using annexes whose major assignment was to serve as opening units for flats bundles. A few years later, however, I learned that these facilities had moved into newer and better quarters and had once again consolidated all processing under a single roof.

Some of the extra cost of using an annex can probably be avoided by more efficient organization. The three annexes encountered by the Periodicals Review Team received their mail from the main plants and sent it back to the main plants for final processing prior to dispatch to the DDU's. It was noted that considerable transportation and platform handling costs could have been avoided simply by directing mailers who dropship to bring their mail directly to the annexes, rather than to the main plants.

But even if such operational issues were addressed more efficiently, the processing of mail in separate annexes would probably continue to create some additional costs. The apparent unfairness of attributing these costs to subclasses whose volume has not grown and therefore did not cause the need to expand to annexes, was an issue raised by the Team.

During the Team's discussions of this issue it was noted by some Postal Service officials that annexes of many types are used by the Postal Service, many of which handle other classes of mail than Periodicals. I do not know how relevant this point is, since many of those other annexes apparently exist in order to provide more efficient handling and transportation, not as a temporary fix for volume overflow. It makes perfect sense, for example, to have separate facilities located near major airports to handle mail that is transported by air, thereby avoiding the need to transport such mail to plants that may be located far from the airport.²

It was my understanding that the Postal Service, as a first step towards getting a better grip on the problem with annexes, intended to compile a list of the annexes it uses today, and the function of each. As far as I know, such a list has not yet been produced.

² For example, in Los Angeles the ADC distribution for letter mail is performed at the World Way processing plant, located right next to the international airport. In this way, most letters that arrive by air never need to be transported to the main post office, which is 10-15 miles away in South Central Los Angeles.

**RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF
UNITED STATES POSTAL SERVICE**

USPS/TW-T1-17. Please refer to your testimony at page 27, lines 2-4. You state, 'Furthermore, because productivity at allied operations generally is not monitored, it is probable that employees are often assigned to them when they are not needed elsewhere.'

- a. Please explain your use of the term "probable" in the statement quoted above. Specifically, does it indicate speculation on your part as to whether, or to what extent, employees "not needed elsewhere" are assigned to allied operations? Please explain.
- b. Please specify the non-allied labor activities or operations you believe to have (or generate) the surplus labor or employees you reference in the quoted statement. Please cite all studies, reports, and/or data that support your answer.
- c. Please specify the allied labor activities or operations to which you believe the surplus labor or employees you reference in the quoted statement are assigned. Please cite all studies, reports, and/or data that support your answer.

USPS/TW-T1-17.

- a. The fact is, productivity at piece sorting operations is monitored, through MODS reports in mail processing facilities. If a facility has more employees than it needs at a particular point in time, and if management feels pressured to show high productivity rates, especially at its most automated operations, there are not really many other places people can be sent to besides the "allied" operations.

I understand that the Postal Service may believe that it has enough flexibility in manpower assignments to avoid ever having idle employees, and Postal Service witnesses may have testified to that effect in the past. Quite frankly, I do not believe it. Neither, apparently, does Mr. Unger, who explained during cross-examination how the Postal Service was stuck with a large number of casual employees during a period when mail volume turned out to be less than anticipated. If the Postal Service does not have flexibility when it comes to the use of its casual employees, then it would seem to follow that it has very little flexibility, period.

I first became aware of the general tendency to send employees not needed elsewhere to operations whose productivity is not being monitored (e.g., opening and pouching units) in 1977 and 1978, when I spent considerable time in postal

facilities and was able to talk with numerous clerks, mailhandlers, supervisors and managers at many different levels.

- b-c. I am referring to piece distribution operations in general as generating a need for a large workforce at some times and a much smaller one at other times, and to opening and pouching units as the main "buffer" for these variations.

**RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF
UNITED STATES POSTAL SERVICE**

USPS/TW-T1-18. Please refer to your testimony at page 20, lines 20-22. You make a claim of "the system's tendency always to allocate more costs to the least automated mail."

- a. Please specify whether the antecedent of "the system" is IOCS or the Postal Service's mail processing costing system as a whole.
- b. Would you expect the "least automated mail" to be more costly to process, other things held equal, than more automated mail? Please explain fully any negative response.
- c. Do you contend that the "tendency" to which you refer in the quoted statement is equally strong for every mail processing cost pool? Please explain fully.

USPS/TW-T1-18.

- a. The IOCS by itself is just a system for collecting information. The information currently collected in IOCS, even when combined with MODS data, is not sufficient to fully determine mail processing costs caused by each subclass and special service.

The main problems with the current method of attributing costs to subclasses and special services based on interpretations of IOCS data are in my opinion:

- (1) Excessive reliance on unproven and often erroneous assumptions about proportionality and about the independence of each MODS pool from all other MODS pools; and
- (2) Failure to consider the impact that management decisions have on costs.

See also my responses to USPS/TW-T1-5 and USPS/TW-T1-8.

- b. By other things held equal, I assume you have in mind a comparison where shape, presort level, weight, etc. are the same for automated and non-automated mail. If we consider the evidence that has accumulated to date, there seems to be little doubt that automation has worked for letter mail; automated letter mail costs less to process than non-automated letter mail.

The evidence is much less convincing in the case of flats. In fact, it appears that flats were being processed faster when all processing was manual than they are today.

One reason for that may be that what up to now has passed as “flats automation” is not really a breakthrough technology and does not offer the order of magnitude improvement over manual sorting that the letter automation technology does. That, however, does not explain why flats seem to cost more to process today. To understand why, one needs to consider that automation has fundamentally changed the mail processing environment, leading to large pools of “not handling” time that the costing system erroneously concludes must be caused mostly by the mail incurring the most “direct” costs, which generally is the least automated mail.

- c. Some MODS cost pools, by definition, handle automated mail only, and so the question of whether automated or non-automated mail gets the “best deal” at those pools is meaningless. Under the current MODS-based method of interpreting IOCS data, it clearly is the allied operations, such as opening and pouching units, that represent the biggest challenge in terms of a fair and accurate cost attribution.

DECLARATION

I, Halstein Stralberg, declare under penalty of perjury that the foregoing answers to interrogatories are true and correct, to the best of my knowledge, information and belief.

Halstein Stralberg

Date: June 26 , 2000

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 28, 2000