

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

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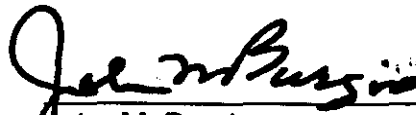
POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSES OF TIME WARNER INC.
TO INTERROGATORIES OF UNITED PARCEL SERVICE
TO WITNESS HALSTEIN STRALBERG (UPS/TW-T1-1-6)
(July 3, 2000)

Time Warner Inc. (Time Warner) hereby provides the responses of witness Halstein Stralberg (TW-T-1) to United Parcel Service interrogatories UPS/TW-T1-1-6 (filed June 19, 2000). Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,



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**RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF
UNITED PARCEL SERVICE**

UPS/TW-T1-1. Refer to page 22 of your testimony, where you recommend that “[m]ixed mail and not handling costs in allied BMC and NonMODS cost pools should be distributed broadly over all pools within the respective facility categories.”

- (a) Confirm that Non-MODS allied operations include the Misc cost pool. If not confirmed, explain fully.
- (b) If (a) is confirmed, provide a detailed description of how your SAS programs distribute the mixed tallies in the Misc cost pool.
- (c) If (a) is confirmed, explain why the composite volume variability factor of the sorting operations, recommended by MPA witness Cohen (MPA-T-1) as the upper bound for volume variability of the allied operations, was not used for the Misc cost pool.

UPS/TW-T1-1.

- a. Not confirmed. Please note that the “pools” into which NonMODS IOCS tallies are divided are IOCS based. As I understand witness Van-Ty-Smith’s description of how these pools are formed, tallies where Question 19 information indicates that the observed employees worked in allied operations (e.g., platform, opening unit) are placed in the “allied” pool. Tallies with insufficient information to place them in any other pool are placed in the “Misc” pool. It therefore is not appropriate to refer to the NonMODS “Misc” pool as allied. Tallies in this pool appear to have no Question 19 information. Many of them have activity codes indicating work that traditionally has been considered not to be volume variable.

It is of course possible that some “Misc” tallies do represent allied labor, but there is no evidence linking them to allied labor.

- b. Not applicable.
- c. Not applicable. However, see MPA-T-1 at page 26, lines 22-23, where witness Cohen explains why she considered only one NonMODS pool to be allied.

**RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF
UNITED PARCEL SERVICE**

UPS/TW-T1-2. Refer to page 22 of your testimony, where you recommend that “[m]ixed mail’ costs at allied MODS pools, including empty equipment costs, should be broadly distributed over the direct costs in all Function 1 MODS cost pools.” Confirm that mixed allied tallies with known operation (tallies processed in “mdmxoper”) are distributed over all direct tallies, not just Function 1 cost pools. If confirmed, explain why the distribution key was not limited to Function 1 cost pools. If not confirmed, explain why not.

UPS/TW-T1-2. This question appears to be based on a misunderstanding. In my proposed method, allied mixed mail and not handling tallies that can be linked to specific piece distribution operations based on Question 19 data are distributed as if they had been recorded under the given piece distribution operation. Since all those piece distribution operations belong to Function 1 pools, the distribution always occurs within Function 1. The filter restricting distribution to Function 1 pools is not used in program “mdmxoper” and is not needed there, because the distribution is restricted even more, to a single Function 1 pool. See also my response to USPS/TW-T1-20.

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UPS/TW-T1-3. Refer to page 22 of your direct testimony, where you recommend that "[n]ot handling" costs at allied MODS cost pools should be broadly distributed over direct costs and distributed mixed mail costs in all MODS Function 1 cost pools."

(a) Confirm that the distribution key used to distribute the "not handling" allied tallies with known operation (tallies processed in "mdnhoper") does not include distributed mixed mail tallies with unknown operation (tallies processed in "mod3alld"). If confirmed, explain why distributed mixed mail tallies with unknown operation were excluded from the distribution key. If not confirmed, explain why not.

(b) Confirm that the "not handling" allied tallies with known operation (tallies processed in "mdnhoper") are distributed over all cost pools, not just Function 1 pools. If confirmed, explain why the distribution key was not limited to Function 1 cost pools. If not confirmed, explain why not.

UPS/TW-T1-3(a)-(b). See my answers to UPS/TW-T1-2 and to USPS/TW-T1-20.

**RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF
UNITED PARCEL SERVICE**

UPS/TW-T1-4. On page 29, lines 2-3, of your testimony, you state, “(...)it is the mail that requires the most processing steps, generally the ‘working mail,’ that drives the need for high staffing levels in allied operations (...)”

- (a) In light of this statement, is it your understanding that labor costs in allied operations are determined by the volume of mail processed in direct MODS sorting operations?
- (b) If your answer to (a) is yes, explain how one might causally attribute these costs to the different MODS groups and describe the information that is available to perform that attribution. If your answer to (a) is no, explain in detail the basis of your response.

UPS/TW-T1-4.

- a I do not believe that costs in allied operations are determined only by the volume of mail processed in direct MODS sorting operations. They are of course affected also by the volume that appears in the allied operations themselves, as well as by scheduling requirements (e.g., critical dispatches), equipment availability, etc.

My argument in the part of my testimony that you quote from is that because of the tight schedules under which the Postal Service typically operates, it is the mail that requires the most handling steps before it is ready for dispatch, i.e., the “working” mail, that defines the “critical path” and therefore has the greatest impact on the scheduling and staffing requirements in a mail processing facility, including the scheduling and staffing of allied operations.

- b. The causal relationships among costs incurred at different MODS cost pools are highly complex and not yet fully understood. I do not believe the currently available data are adequate for accurately assigning cost responsibility for mixed mail and not handling costs to specific subclasses and special services. My testimony makes proposals that I believe at least move in the right direction and would produce cost attributions a little closer to the true cost causality. These include expanded use of Question 19 data and a broader distribution of allied mixed mail and not handling costs.

**RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF
UNITED PARCEL SERVICE**

UPS/TW-T1-5. On page 46, lines 8-10, of your testimony, you state, "In observing bundle sorting on SPBS machines with the Periodicals Review Team, we often saw loose pieces from broken bundles being keyed as individual pieces by SPBS operators. (....)"

- (a) Is it your understanding that an intact bundle processed on an SPBS machine is likely recorded as a single piece handling in the MODS data system?
- (b) If your answer to (a) is no, specify what you believe is likely to be the number of piece handlings recorded for an intact bundle sorted on an SPBS machine, and provide a range of likely numbers if you are unable to specify a single number.
- (c) Confirm that over the period 1993-1998, a broken bundle sorted on an SPBS machine may well have been recorded as multiple piece handlings in the MODS data system. If you do not confirm, explain the basis of your statement on page 46, lines 8-10, quoted above.
- (d) Explain what you believe is likely to be the number of piece handlings associated with a broken bundle sorted on an SPBS machine, or provide a range of likely numbers if you are unable to specify a single number.
- (e) Confirm that based on the MTAC data, approximately 35 percent of bundles break on SPBS machines. If you do not confirm, provide an interpretation of the data presented in the row entitled "Broken" in Table V-1 in your testimony.

UPS/TW-T1-5.

- a. It is my understanding that at the SPBS cost pools the recorded volume (TPH) is based on the number of items keyed at the keying stations, regardless of what those items are. In the "SPBS Priority" pool, the volume represents the number of Priority pieces that are sorted on the machines. In the "SPBS Other" pool, the items keyed are generally flats bundles, and the MODS volumes reflect counts of bundles keyed, except for the now apparently almost eliminated practice of keying individual pieces from broken bundles.
- b. Not applicable.
- c-d. Several things can happen to a broken bundle. Some can be and are recovered, for example by placing a rubber band around the individual pieces assuming they are still together. If a broken bundle is not recoverable, the appropriate action is to remove the pieces from the SPBS belt and send them for individual piece sorting, typically at an FSM. Such broken bundles are not keyed and are therefore not

included in the SPBS volume count. However, if, contrary to Postal Service policy, the individual pieces are keyed on the SPBS, each piece will cause the volume count to be incremented by one. Thus, a broken bundle can lead to a volume count of zero, one or more than one, depending on the factors described above.

e. This question appears to result from a severe misunderstanding. What the "broken" row in Table V-1 in my testimony really shows is that, according to the MTAC data:

- If bundles from a Periodicals pallet are dumped on an SPBS feeding belt, then an average of 0.5% - one half of one percent - of those bundles break.
- If bundles from a Periodicals sack are dumped on an SPBS feeding belt, then an average of 15.675% of those bundles are broken
- If bundles from a Standard A pallet are dumped on an SPBS feeding belt, then an average of 1.26% of those bundles break.
- If bundles from a Standard A sack are dumped on an SPBS feeding belt, then an average of 18.18% of those bundles are broken.

Note that the much higher breakage rate for sacked mail appears not to be caused by the dumping on the SPBS. Those bundles appear to have already been broken by the time they get to the SPBS, presumably by the rough treatment of sacks in the postal network.

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UPS/TW-T1-6. Based on your understanding of bundle breakage, what is the relationship between the frequency of bundle breakage and the volume of bundles that need processing? Is it the case that: (a) bundle breakage is more likely under congested conditions; (b) bundle breakage is less likely under congested conditions; or (c) there is no relationship between bundle breakage and the degree of congestion? Explain in detail the basis for your response.

UPS/TW-T1-6. I am not aware of any relationship between frequency of bundle breakage and the volume of bundles that need processing. I would find it rather odd if there were such a relationship. It is clear that most bundle breakage occurs for bundles that travel in sacks. There is little firm knowledge of what causes the bundles to break while in the sacks, but I have heard the opinion expressed that when a sack is full the bundles may be more protected from breakage than when there are only a few bundles in the sack. Obviously, the chance of breakage will be higher if a sack undergoes more handling steps, e.g., if a sack must be sorted through two BMC's instead of one.

The breakage that occurs when pallets are dumped on SPBS feeder belts appears to depend a great deal on the way the dumping is done. Dumping the whole pallet quickly may create an "avalanche" effect, which causes more breakage than if the pallet is dumped more gradually, putting only a limited number of bundles on the belt at any one time. Dumping a pallet more gradually need not affect the throughput of sorted bundles. The keying stations are the bottlenecks on the SPBS. It is easy to dump bundles from pallets faster than they can be keyed, but gradually enough to minimize breakage. The Periodicals Review Team noted that the degree of breakage varied substantially from one facility to another, based not on the backlog of mail but on the skill of employees operating the pallet dumpers. The team urged a sharing of best practices in this area.

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.



Date: July 3 , 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

July 3, 2000