

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

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POSTAL RATE AND FEE CHANGES, 2000

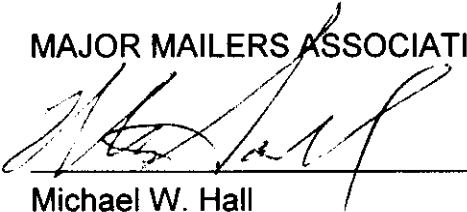
Docket No. R2000-1

**Responses Of Major Mailers Association Witness Harrison
To Interrogatory Of The United States Postal Service
Redirected From MMA Witness Richard Bentley**

Major Mailers Association hereby provides the response of its witness Sharon Harrison to the following interrogatory of the United States Postal Service: **USPS/MMA-T1-20**, filed on June 28, 2000. This interrogatory was redirected from MMA witness Richard Bentley.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION



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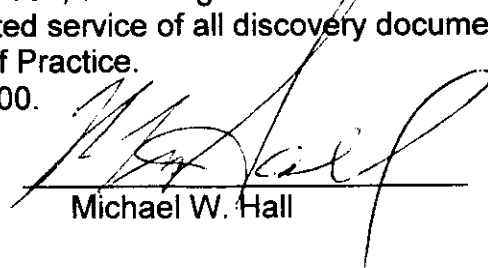
Counsel For
Major Mailers Association

Dated: Round Hill, Virginia
July 5, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have served the following interrogatory responses upon the United States Postal Service, Ted P. Gerarden, the Designated Officer of the Commission, and participants who requested service of all discovery documents, in accordance with Rule 12 of the Rules Of Practice.

Dated this 5th day of July 2000.



Michael W. Hall

USPS/MMA-TI-20

In your response to USPS/MMA-TI-5(b), you discuss the additional costs that you say mailers incur in meeting requirements such as ACT tagging that you do not believe are included in workshare cost savings.

- (a) Please confirm that mailers who affix ACT tags to containers of First-Class Mail they have prepared are often allowed to enter that mail at a postal facility later in the evening than if the mail required the Postal Service to perform the scanning prior to dispatch for air transportation. If you do not confirm, please explain. If you do confirm, indicate whether later entry times give mailers more time to prepare their mailing for entry into the postal system. Also indicate whether mailer ACT tagging contributes to some mail being dispatched by the Postal Service to available air on the evening the mail is entered instead of the next day.
- (b) Please confirm that mailers are often willing to perform the following activities which are not required by the Postal Service in order to improve the processing and delivery of their mail. Alternatively, if you are unable to confirm, please explain and indicate which of the following activities are required by the Postal Service and result in no advantage to the mailer:
 - 1. Instead of bedloading or sacking, mailers will palletize mail to better facilitate its movement through their own facilities as well as postal facilities.
 - 2. To ensure that pieces within a mailing remain in good condition and to maintain a stable load during transport, mailers will palletize and stretch wrap trays and other containers of mail.
 - 3. To ensure proper handling for the best service within the mailers facility and the postal network, mailers will label a container of mail to identify its contents.

RESPONSE:

Mr. Bentley has informed me that USPS witness Miller does not include mail preparation and platform operations in his derivation of workshare cost savings. Therefore, to the extent mailers like SBC and other members of Major Mailers perform mail preparation activities that formerly were performed by the Postal Service, I do not see how such cost savings are reflected in the Postal

Service's workshare cost savings. Similarly, to the extent that mail preparation activities performed by mailers reduce platform operation costs, I do not see how such cost savings are reflected in the Postal Service's workshare cost savings.

Mr. Bentley also informs me that the workshare cost savings he derives on behalf of MMA do include mail preparation and platform cost savings. However, it is my understanding that even Mr. Bentley's analysis does not give workshare mailers direct credit for the additional effort and expense that they incur for activities such as ACT tagging that the Postal Service has shifted to them through the imposition of new formal mail preparation requirements and/or "requests" for mailers cooperation based on suggestions that delivery times are improved.

(a) Not confirmed for SBC. If SBC were to affix ACT tags, this would not change mail acceptance deadlines. I have spent a great deal of time and effort becoming familiar with Postal Service regulations relating to First-Class workshare requirements. I am not aware of any official Postal Service publication that indicates that mailer-applied ACT tags enables a mailer to enter mail during the evening hour.

Moreover, postal management has informed us that later entry times benefits the Postal Service by relieving dock congestion during periods of high-volume processing. Later entry times also allow mailers to stagger mail production. However, mailers must still meet the Critical Entry Times (CET) provided to them by the Postal Service.

The Postal Service has also told us that mailer-applied ACT tags expedite movement of the mail through the postal system and reduce mail handling time for the Postal Service. Although there may be an *indirect* advantage for the mailer, this activity benefits the Postal Service *directly* by reducing its mail handling costs and improving the Service's overall mail delivery record.

Finally, the Postal Service does not guarantee mailers that applying ACT tags will expedite delivery service. Nevertheless, it is my understanding that some mailers do perform this function to jointly work with the Postal Service in the hope that applying ACT tags will facilitate mail processing where possible.

(b) For mailers such as SBC, ensuring reliable and timely delivery of customer bills is critical to our business. In order to help the Postal Service meet our customer expectations, MMA companies participate in many activities that they hope will help facilitate movement of mail through postal facilities and, thereby, improve delivery service. Ultimately, if the end customer does not receive their expected bill, or if receipt of their bill or statement is delayed, customers do not contact the Postal Service – they contact the mailer.

However, the Postal Service does not guarantee delivery times for First-Class mail. Moreover, delivery scores vary across the nation for First-Class overnight, 2-day and 3-day service. Accordingly, mailers are continually challenged to measure delivery service to identify if the extra costs incurred by mailers actually help in reducing delivery times.

Over time, local USPS officials have simply come to expect mailers to upgrade their workshare efforts. As MMA witness Bentley has informed me, the Postal Service witness who presents workshare cost savings in this proceeding did not even attempt to study, and has no knowledge of, these costly (to mailers) and cost saving (to the Postal Service) activities. See TR 7/3149.

1. Not Confirmed. MMA members palletize their mail for the benefit of the Postal Service, not themselves. The movement of mail through SBC's mail preparation facilities is not based on pallets. Pallets are used at the end of mail preparation process to consolidate mail trays and transport them for delivery to the Postal Service.

Mailers create the mail piece, prebarcode and presort the letters, place them in appropriate mail trays, ensure trays are labeled correctly, separate the trays by destination, palletize the trays, and stretch-wrap the pallets. All these functions are performed to facilitate the movement of mail within the postal environment.

2. Not Confirmed. Stretch-wrap is not likely used within a mailer's plant to support the movement of mail trays on pallets. SBC applies stretch-wrap to pallets to adhere to strict Postal Service requirements for mail transport and acceptance.

Large mailers such as SBC are forced to use pallets to submit mailings. In turn, pallets require the use of stretch-wrap for mail acceptance and transport, which adds cost and labor to mail preparation. Therefore, it is not "advantageous" to SBC to use pallets and mailer-applied stretch wrap.

SBC would much prefer to use "rolling stock" containers that facilitate delivery of completed mail trays to the Postal Service. However, the Postal Service unilaterally determined that due to cost considerations of providing adequate rolling stock/cages to mailers, it had to discontinue that program.

Consequently, the Service has required mailers to palletize and stretch-wrap their trays.

3. Not confirmed. SBC does not label pallets of mail by ultimate destinations in order to facilitate movement of mail within SBC's facilities. If SBC did label mail pallets for its own purposes, SBC would label the mailing contents based on product type, not the destination of the mailing. The majority of mail produced by SBC, and many other large mailers, are direct pallets labeled to 3-digit or 5-digit destinations. This massive volume of pre-barcoded mail significantly reduces the Postal Service cost for handling, transporting, and delivering the mail. Labeling and segmentation of the mail by destination does not improve processing within a mailer facility.

Mailers are required to provide specific mail trays that are separated, palletized, and labeled based on local postal official requirements. SBC has been assessed a financial postage penalty based on the preparation of mail trays combined and labeled on a pallet. This postage penalty was immediately overturned, when it was brought to the attention of Postal Service management that SBC produced and labeled the pallets as agreed to by local postal management.

SBC spends a significant amount of time working with the USPS management to identify pallet segmentation and labeling requirements for our mailing locations. SBC, working with a vendor, developed an automated software program that identifies each mail piece uniquely, sorts mail to the appropriate mail tray, creates the tray label, segments mail trays to specific pallets, and creates the pallet labeling specific to USPS requirements. This system is adjusted to meet the local postal requirements. Mail segmentation at the pallet level and pallet labeling is an expected practice by local postal officials in order for our mail to be accepted for the First-Class automation discounts.

Because of these extra mail preparation functions that SBC and other MMA mailers are required to perform, cost savings that accrue to the Postal Service are much greater for mailings of say, 50,000 pieces, than for smaller mailings of, say, 500 pieces.

DECLARATION

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


Sharon Harrison

Dated: June 30, 2000