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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYES TO INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA REDIRECTED FROM WITNESS TAUFIQUE (MPA/USPS-T34—15-17)

The United States Postal Service hereby provides the response of witness Mayes to the following interrogatories of the Magazine Publishers of America redirected from witness Taufique: MPA/USPS-T34—15-17, filed on October 26, 2001.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 13, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYES TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA REDIRECTED FROM WITNESS TAUFIQUE

MPA/USPS-T34-15. Please refer to USPS-LR-J-68, USPS-LR-J-100, and USPS-LR-J-107, OC01.xls. Assume that a mailer currently enters 50 3-Digit sacks containing a total of 1,500 pieces at an OADC that is not in the DBMC service territory. Assume further that all of the mail in these sacks destinates in the service territory of one Area Distribution Center (ADC). Finally, assume that, in the Test Year, this mailer entered this mail on an ADC pallet at the DADC.

(a) Please describe the mail flows of the OADC-entered 3-Digit sacks and the mail flow of the DADC-entered ADC pallet.

(b) Please discuss and compare the costs avoided by the shift in mail preparation described above and the pallet and DADC nontransportation cost avoidances shown in USPS-LR-J-68 and USPS-LR-J-100.

RESPONSE

(a) There is no universal mail flow for 3-Digit sacks entered at an OADC, an OBMC or an OSCF. The flow of these sacks will depend on at which facility the mail was entered and the destination of the sacks. Some 3-Digit sacks will be sorted and cross-docked at the originating facility and placed on direct transportation to the destination SCF. Other sacks will need to travel through intermediate facilities, such as ADCs, BMCs or HASPs, before reaching the destination SCF, depending on available transportation links.

The opening of the sacks and the distribution of the contents would likely be at a facility, such as a DSCF, that is downstream from the facility at which the ADC pallet is opened. Typically, ADC pallets would be broken down and the packages sorted at the DADC. Some of the mail in non-carrier route packages on the pallet could be finalized to carrier route at the DADC, some could be finalized at the DSCF, and some at the

destination delivery unit downstream from the DADC and DSCF. The carrier route packages will be sorted and transported to the downstream delivery unit intact. Typically, 3-Digit sacks will be opened and the contents sorted at the destination SCF and the sack contents either finalized to carrier route at the destination SCF or at a delivery unit downstream from the SCF. Please also refer to the response to part (b) of this question.

(b) If the sacks went to the DADC, any transportation and nontransportation costs from the stated origin facility (OSCF, OBMC, or OADC) to the DADC would have been bypassed if the mail had instead been prepared on an ADC pallet entered at the DADC. However, as noted above, the sacks may bypass the DADC.

The cost avoidances calculated in LR-J-68 are comparisons of the costs of non-destination SCF Zone 1&2 pieces not entered at a destination facility downstream from the DBMC with pieces entered at a destination facility downstream from the DBMC. For non-destination SCF Zone 1&2 pieces entered at the DBMC or destination transfer hub, it is assumed that 80 percent will be transported directly to the DSCF and 20 percent of the pieces will first travel through an intermediate facility (assumed to be the destination ADC) then be cross-docked to the DSCF. It has also been assumed that 3.14 percent of non-destination SCF Zone 1&2 Periodicals go directly from the destination transfer hub to the destination delivery

unit, bypassing intermediate handlings at the destination ADC or destination SCF.

If the mail is entered at the DADC, the mail would have bypassed a BMC cross dock, but 3.14 percent of the time, the mail entered at the DBMC would have gone directly to the DDU and avoided the DADC and DSCF handlings. Of the mail that does not go directly from the DBMC to the DDU, 80 percent of the time the mail from the BMC would have gone directly to the DSCF and avoided the DADC handling. All DADC mail will incur, at a minimum, cross-dock costs at the DADC to get the mail to the DSCF. Thus, it is assumed that mail entered at the DADC will save the Postal Service the difference between BMC cross-dock costs and ADC cross-dock costs 80 percent of the time that it did not go directly from DBMC to DDU, and the cross-dock costs at the DBMC 20 percent of the time.

If, as in the hypothetical presented, the mail is entered at an OADC, OSCF or OBMC and destinates inside the service territory of another BMC, it may incur several cross-docks before it reaches the destination SCF, as described in the response to part (a) above. The cost savings to the Postal Service of having this mail drop-shipped to the DADC are likely to include at least the cross-docking costs, similar to those calculated in LR-J-68, associated with each upstream facility through which the 3-Digit sacks would have traveled. However, for the mail that would have bypassed the DADC, the savings would have to be reduced by the DADC

costs that the pallet would incur but the sacks would not have. LR-J-68 can be adjusted by changing the inputs in Table 2 of Appendix F such that the number of pieces per sack matches the hypothetical example's stated 30 pieces per sack and the pieces per pallet matches the hypothetical example's 1500 per pallet. To compare the cost of a cross-dock for the sacks as opposed to the pallet, the proportion of mail in sacks can be set at 100 percent in Table 2 of Appendix F and then the proportion of mail on pallets can be subsequently set at 100 percent. To do a complete comparison of the change in costs due to the change in containerization and presortation, the costs of opening and dumping sacks at the DSCF would also have to be offset by the cost of breaking apart the pallet and performing package distributions at the DADC.

It is my understanding that the cost avoidances calculated in LR-J-100 are a comparison of mail in sacks versus mail on pallets holding the presort level of the container constant. If, as in the hypothetical, mail migrates from a 3-digit container to an ADC container, some of the mail will incur additional bundle handlings because of the loss of container presort. Thus, the cost avoidances calculated in LR-J-100 overestimate the per-piece cost savings associated with migrating 1,500 pieces from 3-Digit sacks to an ADC pallet.

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MPA/USPS-T34-16. Please refer to USPS-LR-J-68, USPS-LR-J-100, and USPS-LR-J-107, OC01.xls. Assume that a mailer currently enters 50 3-Digit sacks containing a total of 1,500 pieces at an OSCF that is not in the DADC or DBMC service territory. Assume further that all of the mail in these sacks destinates in the service territory of one ADC. Finally, assume that, in the Test Year, this mailer entered this mail on an ADC pallet at the DADC.

(a) Please describe the mail flows of the OSCF-entered 3-Digit sacks and the mail flow of the DADC-entered ADC pallet.

(b) Please discuss and compare the costs avoided by the shift in mail preparation described above and the pallet and DADC nontransportation cost avoidances shown in USPS-LR-J-68 and USPS-LR-J-100.

Response:

Please refer to my response to MPA/USPS-T34-15(a) and (b).

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MPA/USPS-T34-17. Please refer to USPS-LR-J-68, USPS-LR-J-100, and USPS-LR-J-107, OC01.xls. Assume that a mailer currently enters 50 3-Digit sacks containing a total of 1,500 pieces at an OBMC. Assume further that all of the mail in these sacks destinates in the service territory of one ADC. Finally, assume that, in the Test Year, this mailer entered this mail on an ADC pallet at the DADC.

(a) Please describe the mail flows of the OBMC-entered 3-Digit sacks and the mail flow of the DADC-entered ADC pallet.

(b) Please discuss and compare the costs avoided by the shift in mail preparation described above and the pallet and DADC nontransportation cost avoidances shown in USPS-LR-J-68 and USPS-LR-J-100.

Response:

Please refer to my response to MPA/USPS-T34-15(a) and (b).

DECLARATION

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

Virginia Mayes

VIRGINIA MAYES

Dated: 11-13-01

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.

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