

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF  
AOL-TIME WARNER  
(AOL-TW/USPS-25-29)

The United States Postal Service hereby provides its responses to the following interrogatories of AOL-Time Warner: AOL-TW/USPS-25-29, filed on November 5, 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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AOL-TW/USPS-25 The Postal Service's response to AOL-TW/USPS-11 suggests that putting Periodicals on airplanes may sometimes be desirable. The example given is that when Periodicals flats are sorted on an FSM immediately before the sortation of First Class flats, it may not be cost efficient to "sweep" the Periodicals in order to keep them separate from First Class mail. The response indicates that such sweeping might increase Periodicals processing costs more than the extra costs of air transportation.

a. Please confirm that during an FSM operation the "flat trays" (tubs) into which flats are sorted are removed when full and replaced with empty tubs.

b. Can it be presumed that the example given in AOL-TW/USPS-11 refers to tubs that have received some Periodicals flats but are not yet full by the time the change to First Class flats processing occurs? If no, please explain further.

c. Why would the Postal Service sort Periodicals flats immediately before sorting First Class flats? Please indicate the sorting schemes and the times of day when this is likely to occur.

d. Has the Postal Service conducted any cost analysis to verify the assertion that it is cheaper to put Periodicals flats on airplanes instead of sweeping them before a switch is made to First Class flats? If yes, please provide all reports, conclusions and supporting documentation generated by such studies.

e. If analysis of the cost trade-off were to show that sweeping Periodicals in half-empty trays costs more than letting them travel by air with First Class, would not the same conclusion apply to Standard A mail? If no, please explain why the cost trade-offs are different for Periodicals and Standard A.

f. Does the Postal Service have any written instructions for FSM operators and/or supervisors with respect to when it is and is not appropriate to sweep Periodicals or Standard A flats before starting First Class sortation? If yes, please provide a copy of those instructions.

RESPONSE

a) Confirmed.

b) Yes.

c) Periodicals sortation would likely take place during late Tour 2 into Tour 3 when the First Class Mail sortation would start. It may also occur during a lull time when Periodical Mail is on hand and awaiting processing before the collection mail arrives.

d) No.

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e) Since no such cost analysis exists, one cannot say what the cost differences or similarities would be. There is an operational difference that may be relevant to the issue. Since Standard Mail is normally processed on Tour 2, it would probably be cleared long before the Periodical Mail and First Class Mail would be ready for processing. Therefore, the opportunity to commingle Standard and First Class seems much less likely, than for Periodicals and First-Class Mail.

f) The Postal Service does have written instructions for FSM supervisors contained in USPS-LR-J-173 (AFSM 100 National Standardization Guide and the AFSM 100 Standardization Supervisors Guide). These instructions do not specifically address a particular class of mail but just refer to "mail" in general to be processed.

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AOL-TW/USPS-26 Please indicate what types of FSM sorting schemes generate output that receives air transportation (when the flats are First Class) to the next facility in which the flats will be processed. In particular:

- a. Please confirm that, regardless of class, flats that are sorted in an incoming secondary scheme will not be transported by air to their next facility. If not confirmed, please state what the exceptions are and whether any such exceptions occur in the contiguous 48 states.
- b. Please confirm that, regardless of class, flats that are sorted in an incoming primary scheme will not be transported by air to their next facility. If not confirmed, please state what the exceptions are and whether any such exceptions occur in the contiguous 48 states.
- c. Please confirm that, regardless of class, flats that are sorted in an SCF primary scheme will not be transported by air to their next facility. If not confirmed, please state what the exceptions are and whether any such exceptions occur in the contiguous 48 states.
- d. Please confirm that, regardless of class, flats that are sorted in an ADC primary scheme will not be transported by air to their next facility. If not confirmed, please state what the exceptions are and whether any such exceptions occur in the contiguous 48 states.
- e. Is it reasonable to assume that a flat sorting scheme that generates output whose destination is far enough away to require air transport (if the flats are First Class) must be either an outgoing primary or an outgoing secondary scheme? If no, please state what the exceptions are and whether any such exceptions occur in the contiguous 48 states.
- f. Please explain the Postal Service's current policy regarding the distances over which First Class flats will be transported by air instead of by surface. Please also explain any changes that may have occurred in this policy during the last three years, and any changes being contemplated before FY2004.
- g. Roughly what percentage of the flats sorted at an outgoing flats primary operation is to destinations far enough away to require air transportation when the flats are First Class?

**RESPONSE**

- a) Confirmed, for the contiguous 48 states.
- b) Confirmed, for the contiguous 48 states.
- c) Confirmed, for the contiguous 48 states.
- d) Confirmed, for the contiguous 48 states.
- e) Yes.

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f) The policy for routing First-Class flats does not specifically identify distances as contemplated in the question. According to USPS Handbook M22, Dispatch and Routing Policy, the determinations for routing First-Class Mail are as follows:

**162.1 General**

Area Distribution Networks must provide routings for designated overnight 2-day, and 3-day qualified mail within each window of transportation established by the origin and destination operating plans.

**162.2 Overnight Delivery**

Overnight delivery areas must be routed via surface transportation (some exceptions exist such as the U.S. Virgin Islands).

**162.3 Two-Day Delivery**

All metered and postmarked mail designated for 2-day delivery can be dispatched by either air or surface transportation, depending upon the most economical routing available that will meet the critical entry time at destination. Incoming critical entry time normally falls between 1500 and 1800 hours with some exceptions.

**162.3 Three-Day Delivery**

All other remaining areas within the United States must be routed by air or surface transportation to achieve 3-day delivery. Mail with 3-day service

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standards must utilize routings that meet the critical entry time of 8 a.m.

(Day 2) at the area distribution center (ADC) or automated area distribution center (AADC). Special bracketing options as described in Chapter 2 may be used in some cases.

No changes are contemplated to this policy.

g) The percentage of flats that "require air transportation" is unknown.

The choice of mode is determined by each plant and constrained by the availability of transportation at each originating facility.

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AOL-TW/USPS-27 Please assume that a flats tray (tub), containing some Periodicals flats on the bottom and First Class flats on top, is removed from an FSM. Assume further that the tray is closed and labeled before being dispatched.

- a. Would the person who closes and labels this tray normally take time to determine whether or not there are Periodicals flats at the bottom?
- b. Assuming correct labeling, is it possible to determine that this flats tray contains First Class flats by looking at the label without opening the tray? If yes, please explain how.
- c. Assuming correct labeling, is it possible to determine that this flats tray also contains some Periodicals by looking at the label without opening the tray? If yes, please explain how.

**RESPONSE**

- (a) No.
- (b) Yes. Trays with mixed classes must be labeled according to the highest class of service contained in the tray. In this case, the tray would be labeled as First-Class Mail.
- (c) No. See response to part (b) above.

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AOL-TW/USPS-28 Please refer to your answers to AOL-TW/IUSPS-10 and AOL-TW/USPS-16, where you state: "certain time-sensitive Periodicals are sometimes flown from Seattle to Anchorage." Please clarify as follows.

- a. Does "certain time-sensitive Periodicals" refer to a specific list of Periodicals with whom an agreement or understanding exists that they will be flown to Anchorage from Seattle?
- b. Does the statement mean that sometimes there is insufficient First Class, Priority and Express mail to fill the dedicated space on a Seattle-to-Anchorage air taxi and that in those cases the excess space is filled with time-sensitive Periodicals that happen to be available in Seattle and ready to be transported to Alaska?
- c. If you answered no to both a and b above, please explain exactly what "certain time-sensitive Periodicals" refers to.
- d. Does it sometimes happen that monthly Periodicals are flown from Seattle to Anchorage?
- e. Does it sometimes happen that Standard A mail is flown from Seattle to Anchorage?
- f. Please explain why this particular route is mentioned in two interrogatory responses when evidently Periodicals are flown on other routes as well. Are the policies for use of this route different from the policies governing the use of all other dedicated airlift routes? If yes, why? If no, on which other routes do similar policies apply?

RESPONSE

a. No. There was a specific list 20 years ago when the Postal Service changed from daily service via highway contract route to water, but the list is outdated. We generally refer to "time-sensitive periodicals" as weekly periodicals that are news-related like Newsweek

In order to be responsive to the Periodicals' mailers involved in the switch to water service, the Postal Service placed their mail on an air taxi operating between Seattle and Anchorage. The responses to AOL-TW/USPS-10 and AOL-TW/USPS-16 refer to these "grandfathered" time-sensitive Periodicals that continue to be routinely flown from Seattle to Anchorage.



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b. No. The time-sensitive periodicals in question are treated like First-Class Mail or Priority Mail. They have the same boarding priority and do not move on a space available basis.

c. See the response to parts a and b above.

d. One cannot exclude this from the realm of possibilities. However, flying monthly periodicals is not part of the program discussed in the response to AOL-TW/USPS-16. Please see the response to AOL-TW/USPS-12c.

e. One cannot exclude this from the realm of possibilities. Flying Standard A mail is not in accord with normal dispatch and routing procedures. Please see the response to AOL-TW/USPS-12c.

f. The Seattle to Anchorage route was mentioned twice in an effort to provide a comprehensive response to the earlier AOL-TW questions. This situation is indeed exceptional for the reasons laid out in the response to part a. Other than a similar route to southeast Alaska, no other routes are known to share this unusual dispatch feature. In general, Periodicals can be found on a Seattle to Anchorage flight for three possible reasons:

1) The Periodicals are part of the "grandfathered" group described in response to part a above.

2) The Periodicals are intermixed in a flat or other container with First-Class, Priority or Express Mail.

3) The periodicals are dispatched to air transportation by mistake.

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AOL-TW/USPS-29 Please refer to your answers to AOL-TW/USPS-14. You first describe the purchase of airlift by the pound and pound-mile from commercial airlines. You then describe a number of ways in which the Postal Service in FY2000 purchased "dedicated airlift". Please clarify the term "dedicated airlift." In particular:

- a. Does "dedicated airlift" refer to airplanes that carry USPS mail only? If no, what else do they carry?
- b. Does "dedicated airlift" mean that the Postal Service buys a fixed amount of airlift capacity for which it will pay the same amount whether the capacity is fully utilized or not?
- c. Does "dedicated airlift" include any other type of contract where the costs vary less than proportionately with volume? If yes, please explain.
- d. What are the average per-pound and per-pound-mile costs to the Postal Service for domestic dedicated airlift routes?
- e. What are the average per-pound and per-pound-mile costs to the Postal Service for transportation of mail on commercial airlines?
- f. Assume that an airplane that is part of a "dedicated airlift" route is only half full. What are the Postal Service's marginal per-pound and per-pound-mile costs of adding one extra pound to the cargo on that airplane?

RESPONSE

- a. Yes.
- b. It is unclear what is meant by "fixed" in this question. Obviously, each aircraft has a fixed cubic capacity, but dedicated airlift capacity can be adjusted up or down in response to persistent volume changes in a number of ways. such as:
  - 1) Larger or smaller aircraft can be used.
  - 2) Cities can be added or subtracted from the flight plan.
  - 3) Larger or smaller engines can be fitted to an existing aircraft.

Also, more capacity does not always cost more. If the marketplace for a desired, larger aircraft is favorable, it may be possible to lease a larger aircraft at less cost than a smaller aircraft. This phenomenon was discussed with regard to the WNET by Postal Service witness Pickett in Docket R2000-1. [Tr. 43/18534]

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- c. No. The assumed volume variability of all dedicated airlift is 100 percent.
- d. In BY2000, the cost per pound of mail flying on Postal Service dedicated air networks was \$1.00232180/lb. The cost per pound-mile of mail flying on Postal Service dedicated air networks was \$0.00079418/lb-mile. Dedicated costs represent BY2000 costs for the cost pools labeled as Eagle Network, Daynet and HASP, Western Network, and Air Taxi in witness Meehan's B workpaper 14.3. These costs do not include costs found in the Christmas cost pool. Dedicated pounds are BY2000 volume scanned to dedicated flights as found in the Postal Service operations scan data (Planned vs. Actual). Dedicated pound-miles represent BY2000 distances traveled by volume on dedicated air networks. The underlying mileages are from origin directly to final destination (GCD miles).
- e. In BY2000, the cost per pound of mail flying on the Postal Service passenger air network (ASYS) was \$0.37791445/lb. The cost per pound-mile of mail flying on the Postal Service passenger air network was \$0.00026039/lb-mile. Passenger Air costs represent BY2000 costs for the cost pools Passenger Air in witness Meehan's B workpaper 14.3. Passenger air volumes are BY2000 volume scanned to passenger flights as found in the Postal Service operations scan data (Planned vs. Actual). Passenger pound-miles represent BY2000 distances traveled by volume on dedicated air networks. The underlying mileages are for each leg of a passenger air flight (route miles).

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f. The assumption does not reflect operational practice. In the normal course of events, dedicated air transportation is full. In the case of a fixed capacity network, the marginal cost of adding an additional pound of mail to dedicated airlift in FY2000 is the marginal cost of putting the pound of mail on commercial air. Putting an additional pound on dedicated airlift means bumping a pound onto commercial air, hence the marginal cost of an additional pound of mail on dedicated airlift is the marginal cost of putting a pound on commercial air. In a variable capacity network, marginal cost is determined by the operating costs of the network under the assumption of 100 percent volume variability.

In the temporary scenario described the question, a one-time addition of mail on an otherwise half-empty plane, would, in that single instance, have a marginal cost of zero. However, if this condition persisted, the Postal Service could choose to modify the capacity of the route as described in the response to part b. In such a case, the variability would be non-zero. Please note that in the test year, all dedicated airlift costs, other than Christmas, are assumed to be zero. See the testimonies of witnesses Hatfield (USPS-T-18) and Patelunas (USPS-T-12).

### **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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