

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS SECKAR TO INTERROGATORIES OF
TIME WARNER, INC.
(TW/USPS-T26-1-4)

The United States Postal Service hereby provides responses of witness Seckar to the following interrogatories of Time Warner, Inc.: TW/USPS-T26-1-4, filed on August 26, 1997. Various subparts of the respective interrogatories were redirected as follows: TW/USPS-T26-1(b) to the United States Postal Service; TW/USPS-T26-1(c) and TW/USPS-T26-2(a-d) were redirected to witness Taufique; and TW/USPS-T26-3(f) to witness Moden.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 9, 1997

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TW/USPS-T26-1. Please refer to USPS-LR-H-134, Section 2, Page 8. Footnotes 2 and 3 on that page claim that 75% of non-barcoded periodicals mail is machinable and only 25% is non-machinable, referring to USPS-LR-H-105.

a. Confirm that in your flow models for periodicals flats you assume that all flats are machinable on the FSM-1000 machines and that you, as well as witness Byrne in his MC95-1 testimony, use the term machinable with reference to the FSM 881 machines. If you do not confirm, please explain.

b. Please provide an exact reference to the part of USPS-LR-H-105 which gives the machinability percentage for non-barcoded periodicals. Please also provide a summary description of how you believe that estimate was obtained, and state whether it applies to letters, flats, or both.

c. Please confirm that flats (and letters) must be machinable in order to earn barcode discounts.

d. Assume that all machinable periodicals flats were converted to barcodes. Would you still assume 75% of the remaining, non-barcoded, flats to be machinable? Please explain your answer.

e. Please confirm that USPS witness Byrne, in his MC95-1 Periodicals mail flow models, assumed 25% of all flats to be non-machinable, rather than just 25% of non-barcoded flats. Please also confirm that Byrne's assumption was based on the estimate given at page 5 of LR-G-121 in R94-1, which referred to all flats, not only Periodicals flats. If you believe your assumption to be more accurate than that used by Byrne and LR-G-121, please explain fully.

f. Please refer to Exhibit USPS-2A in the direct testimony of USPS witness Pham (USPS-T-2) in MC91-1, the original flats automation case. Please confirm that Pham assumed only 52.94% machinability for all Periodicals (then second class) flats, versus 85.07% for First Class flats, and that the predicted machinability of Periodicals flats would increase to 56.97%, leaving 43.03% non-machinable, as a result of flats automation incentives. Please also state whether you believe that Periodicals flats today are significantly more machinable than Pham's FY91 estimate indicated and, if you do believe so, state all your reasons and provide all supporting evidence.

g. What would your model results be if you were to adopt: (1) witness Byrne's MC95-1 estimate that 25% of all flats are non-machinable; and (2) witness Pham's assumption that 43.03% of Periodicals flats are non-machinable? Please explain your answer.

RESPONSE:

a. Confirmed.

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- b. Redirected to USPS.
- c. Redirected to witness Taufique.
- d. I do not assume that 75% of non-barcoded Periodicals flats are machinable, since this is an output from the Periodicals mail characteristics study. See the USPS response to TW/USPS-T26-1(b). If all machinable periodicals flats were converted to barcodes, I would not make any assumptions concerning the remaining non-barcoded flats. I would rely on a mail characteristics study, as I have in this analysis, to illustrate machinability levels.
- e. I confirm that witness Byrne assumed that 25% of Periodicals non-carrier route flats were non-machinable. His assumption was based on the figure displayed on page 4 of LR-G-121 from Docket No. R94-1. I can confirm that this figure speaks to the estimated portion of all flats mail classes that were then non-machinable. As stated in my response to part (d), the factor I use is not an assumption, but an output from a Periodicals regular rate study. Therefore, I believe the factor I use is more accurate than the factor witness Byrne used.
- f. I can confirm that Exhibit USPS-T-2A from Docket No. MC91-1 shows that 52.94% of all second class non-carrier route flats and 85.07% of all First-Class non-carrier route flats were machinable. I can also confirm that Exhibit USPS-T-2A shows that the 52.94% would grow to 56.97% in 1992. While the machinability trends of Periodicals flats have not been studied

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over time, there have been several initiatives that would have helped foster the growth that was forecast in 1992. For instance, there have been Flat Sorter modifications that have helped to increase the types of flats that can be processed on the machine. Also, it is my understanding that the Postal Service has worked in the following three capacities to further the machinability of flats. First, the Postal Service has worked closely with many mailers on designing their flats. Second, Postal Service Mailpiece Design Analysts have utilized innovations like the flat mail machinability tester to help determine if a flat meets the machinability requirements. (See section C820.5.3 of the DMM for more information on this device). Third, the Postal Service has worked closely with the industry on certifying polywrap materials that can be processed on the FSM. As a result, flats that were once non-machinable and processed manually in the past can now be processed on the FSM.

- g. Model results incorporating the factors from past cases can be easily obtained using the materials provided in LR-H-134. Please note, results obtained using machinability factors from past cases will reflect Periodicals environments of the past, thus rendering the costs inappropriate as comparison points.

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TW/USPS-T26-2.

- a. Under the current presort categories for regular rate Periodicals, i.e. levels A, B and C, what percentages of regular rate periodicals pieces had presort levels A, B and C respectively in FY96, according to the billing determinants?
- b. What proportion of the current level A in regular rate periodicals does the Postal Service believe would qualify for the 3-digit presort level if the proposed new presort categories were in effect today?
- c. Assuming mailers do not change their presortation practices, but that current level A and B mailers take advantage of the new 5-digit and 3-digit rates to the extent that they already qualify for them, what percentages of regular rate periodicals will have respectively basic, 3-digit, 5-digit and carrier route presortation after the proposed rates are implemented? Please document your answer.
- d. Assuming mailers do not change their presortation or barcoding practices, but that current level A and B mailers take advantage of the new 5-digit and 3-digit rates to the extent that they already qualify for them, what percentages of regular rate periodicals will be respectively basic barcoded, basic non-barcoded, 3-digit barcoded, 3-digit non-barcoded, 5-digit barcoded, 5-digit non-barcoded and carrier route presorted after the proposed rates are implemented? Please document your answer.
- e. Refer to page 4, Section 2 of LR-H-134, which calculates a CRA adjustment factor for regular rate Periodicals flats. Please replace the weighting factors used on that page with the percentages given in response to part (d) of this interrogatory. Please state what the CRA adjustment factor becomes in that case.

RESPONSE:

- a - d. Redirected to witness Taufique.
- e. Model results incorporating factors from part (d) can be easily obtained using the materials provided in LR-H-134. Please note, the results of part (d) reflect the "After Rates" environment. Any cost results obtained using the factors provided in part (d) will be inappropriate as comparison points because they will represent a mixing of before-rates costs and after-rates volumes.

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TW/USPS-T26-3. The following table shows three sets of productivity rates (pieces per manhour) for mechanized and automated flat sorting using FSM 881 and FSM BCR. The first set contains the FY96 MODS productivity rates according to page 101 of LR-H-113. The second set, also from LR-H-113, contains the corresponding marginal productivity rates, obtained by dividing by the FSM variability factor of 0.9181. The third set is taken from page 13, section 2 in LR-H-134 and contains the marginal FSM 881 and FSM BCR productivity rates that you use in your model for regular rate Periodicals.

FSM BCR & FSM 881 Productivity Rates per MODS & LR-H-134			
Flat Sorting Scheme:	FY96 Productivities		LR-H-134
	MODS	Marginal Prod.	Sect. 2, p 13
Outgoing Primary - 881	774	843	898
Outgoing Primary - BCR	1078	1174	1198
Outgoing Secondary - 881	885	964	956
Outgoing Secondary - BCR	955	1040	1198
State Distribution - 881	656	715	790
State Distribution - BCR	1003	1093	1198
SCF - 881	627	683	816
SCF - BCR	1201	1308	1198
Incoming Primary - 881	645	702	797
Incoming Primary - BCR	970	1057	1198
Incoming Secondary - 881	584	637	780
Incoming Secondary - BCR	1000	1090	1198

a. Please confirm that this table accurately represents both the FY96 productivity rates according to LR-H-113 and the rates that you have used in your model. If you do not confirm, please explain and provide the productivity rates you believe are the correct ones.

b. Footnote 2 on page 13, section 2 of LR-H-134 suggests that the FSM 881 rates you have used were obtained from LR-H-113. Please provide exact references to the part(s) of LR-H-113 that you got your FSM 881 rates from.

c. Please confirm that the FSM 881 rates you have used are higher at all sorting schemes except outgoing secondary than the FY96 rates indicated by MODS. If not confirmed, please explain.

d. Please confirm that the FSM BCR rates you have used are higher at all sorting schemes except SCF primary than the FY96 rates indicated by MODS. If not confirmed, please explain.

e. Given that FY96 is the base year used in this rate case, please explain why you have not used the FY96 actual productivity rates for FSM 881 and FSM BCR flat sorting. If applicable, please describe all steps the Postal

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Service is taking to assure that the mostly higher productivity rates you assume will really be achieved in FY98, as well as all evidence available at this time that such steps are having the desired effects.

f. Are there any reasons to believe that the productivity rates achieved in FSM OCR sorting, when OCRs have been installed, will be any higher than the FSM BCR rates achieved in FY96? If yes, please describe all such reasons.

RESPONSE:

- a. Confirmed.
- b. The FSM-881 productivities are derived by summing the FY93 keying and scanning MODS data found on page 98 of LR-H-113.
- c. Confirmed.
- d. Confirmed.
- e. I have not used the FY96 MODS based FSM-881 and FSM-BCR productivities because MODS does not properly separate which activity the work hours should be allocated to as indicated in witness Moden's response to TW/USPS-T4-14, part (h). As a result, FY93 MODS data were used for the FSM-881 because it represented an environment that was predominantly keying, and the FSM-BCR productivity is indicated on page 30 of my testimony. While the Postal Service seeks to improve productivities as discussed by witness Moden in his testimony, USPS-T-4 at pages 10 through 14, the justification for the use of these productivities is provided here and in the materials cited above.

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f. Redirected to witness Moden.

TW/USPS-T26-4.

a. Please confirm that your model for regular rate periodicals assumes a manual incoming secondary flat sorting productivity rate in facilities without FSMs of 817 pieces per manhour, or 944 pieces per manhour after applying the variability factor for manual flat sorting. If not confirmed, what do you assume?

b. Please confirm that according to page 101 of LR-H-113, the achieved productivity rate for mechanized incoming secondary flat sorting on FSM 881 machines was only 584 pieces per manhour (before applying the variability factor) in FY96. If not confirmed, please explain and provide the number you believe to be correct.

c. If non-FSM facilities achieve an incoming secondary flat sorting productivity of 817 pieces per manhour, including presumably both machinable and non-machinable flats, while FSM facilities only are able to sort 584 machinable flats per manhour, can one then not conclude that it would be more efficient for the Postal Service to drop FSM 881 incoming secondary sorting altogether, and sort all non-barcoded flats manually? If no, please explain fully.

d. Given the variability-weighted 1198 machinable flats per manhour that you assume will be achieved with FSM OCR incoming secondary sorting, the 40% reject rate for FSM OCR sorting, and the variability-weighted 944 machinable and non-machinable flats per manhour you assume can be achieved with manual incoming secondary sorting, will not use of the FSM OCRs for incoming secondary flat sorting simply have the effect of further increasing Periodicals mail processing costs? If no, please explain fully.

RESPONSE:

- a. I can confirm that I use a productivity of 944 for manual incoming secondary sorts to nonautomation zones. I can further confirm that this productivity reflects the volume variability factor and a MODS based productivity of 817.
- b. Confirmed, but I use the productivity of 696 from page 98 of LR-H-113 in my analyses for the reasons provided in my response to TW/USPS-T26-3.

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- c. The manual incoming secondary productivity of 817 pieces per manhour should not be viewed as a productivity attained at non-FSM facilities. Rather, this productivity represents the level attained when sorting flats to nonautomation zones. Nonautomation zones are defined in this context as 5-digit zones with fewer than ten delivery routes and zones at non-FSM facilities. The productivity level attained when sorting to nonautomation zones represents not only the fact that relatively few break-outs are made, as there are fewer than ten, but also that the mailstream is not as heavily nonmachinable. Therefore, it would be incorrect to conclude that, "...it would be more efficient for the Postal Service to drop FSM-881 incoming secondary sorting altogether, and sort all non-barcoded flats manually."
- d. The implication that the manual incoming secondary nonautomation productivity of 944 is a better trade-off than the FSM-OCR is incorrect. As discussed in part (c) above, the manual incoming secondary nonautomation productivity is associated for the most part with 5-digit zones that have fewer than ten delivery routes. The FSM-OCR is used for a much different set of zones. Were the mail not sorted on the FSM-OCR, it would have been sorted either manually, at a rate of 520 pieces per manhour (which is the marginal productivity consistent with the 450 average productivity shown at page 102 of LR-H-113) for manual incoming sorting to FSM zones, or at a rate of 780 pieces per manhour on

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the FSM-881. Further, the models contained in LR-H-134 utilize an FSM-OCR reject rate of 40% only for first-pass sorts, while a reject rate of 30% is used for the remaining sorts. A more complete discussion of the savings stemming from the FSM-OCR is provided by witness Moden's response to TW/USPS-T4-21.

DECLARATION

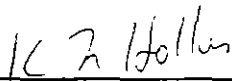
I, Paul G. Seckar, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

Paul G. Seckar

Date: 9/9/97

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.



Kenneth N. Hollies

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September 9, 1997