

DOCKET SECTION

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

RECEIVED

U.S. POSTAL SERVICE
OFFICE OF THE ATTORNEY GENERAL

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

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

The United States Postal Service hereby provides responses to the following interrogatories of Time Warner, Inc.: TW/USPS-1-4, filed on September 11, 1997.

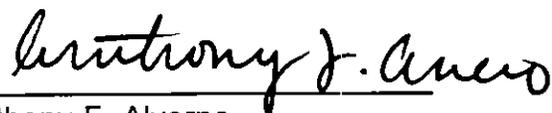
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 25, 1997

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TW/USPS-1. Please refer to the Postal Service's answer to TW/USPS-T26-1b, which was redirected from witness Seckar.

- a. Please confirm that your estimate that 75% of non-carrier route presorted periodicals flats are machinable refers to machinability on the FSM 881 machines. If not confirmed, please clarify what the estimate means and provide an estimate of periodicals flats machinability on the FSM 881's.
- b. What percentage of (1) all periodicals mail pieces and (2) all regular rate periodicals mail pieces are newspapers?
- c. What percentage of (1) all non-carrier route presorted periodicals mail pieces and (2) all non-carrier route presorted regular rate periodicals mail pieces are newspapers?
- d. Does the Postal Service consider all periodicals mail pieces that are not newspapers to be machinable on FSM 881's? Please explain your answer.
- e. Please confirm that for regular rate periodicals, 42% of the non-carrier route pieces were pre-barcoded in FY96, according to the billing determinants, and that your estimate of 75% machinability for the remaining 58% therefore means that 85.5% of non-carrier route presorted regular rate flats are machinable. If not confirmed, please explain and provide corrected numbers.
- f. Which USPS witness is sponsoring LR-H-190?

RESPONSE:

- a. Confirmed; according to LR-H-190, page 7, the percentage of Periodicals Regular Rate non-carrier route non-barcoded flats that are machinable on the FSM 881 is 75 percent.
- b. The Postal Service has no information responsive to this request.
- c. The Postal Service has no information responsive to this request.
- d. No. Only pieces that meet the requirements outlined in Section C820 of the DMM are considered to be machinable on FSM 881s.
- e. Confirmed; according to FY96 Billing Determinants, 42 percent of Periodicals Regular Rate non-carrier route flats were prebarcoded in

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FY96, and 85.5 percent of Periodicals Regular Rate non-carrier route flats
are machinable.

- f. See response to ABP/USPS-14.

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TW/USPS-2. The Postal Inspection Service report named "Developmental Audit - Flat Sorting Machine 1000 (FSM 1000) Program" (December 1996), which is included in LR-H-236, states, at page 2:

"In most P&DC's, approximately 50% of all flat mail is not presorted to the carrier route by the customer and must be sorted by postal clerks. About 25% of this volume consists of flat mail which, because of its physical make-up, cannot be processed by today's FSM 881, and must be worked in a manual sorting operation."

a. Does the Postal Service concur with the Inspection Service's estimate that about 25% of non-carrier route presorted flats are non-machinable on the FSM 881's? If no, please explain and provide the Postal Service's best estimate of flat non-machinability on the FSM 881's.

b. Does the Postal Service believe that Periodicals flats have a higher percentage of machinability on FSM 881's than the average flat? If yes, what class or classes of flats are less machinable than Periodicals flats? If no, please reconcile your answer with LR-H-190 and your earlier response to TW/USPS-T26-1b.

RESPONSE:

a. The Postal Service notes that the Postal Inspection Service report contained in LR-H-236 provides no source for the non-carrier route flats non-machinable figure of 25 percent. This figure is, moreover, consistent with the figure used in Docket No. MC95-1 (Exhibit USPS-T-110 p.8), the source of which was USPS LR-G-121 in Docket No. R94-1. Since that figure was presented, the Postal Service has acquired more recent information on Periodicals flats machinability. In this proceeding, the Postal Service has machinability figures for bulk-entered flats obtained through mail characteristics studies. LR-H-190 at page 7 contains Periodicals Regular machinability information; Docket No. MC96-2, LR-

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PRR-2, page 4 contains Periodicals Nonprofit machinability information; LR-H-105, pages 18 through 23 provide volumes from which Standard Mail (A) commercial machinability information can be calculated; LR-H-195, pages 18 through 23 provide volumes from which Standard Mail (A) nonprofit machinability information can be calculated; and LR-H-134, Section 1, page 27 summarizes the First-Class machinability information. The machinability factors from these studies can be used to show that approximately 14 percent of non-carrier route First-Class (non-single-piece), Periodicals, and Standard Mail (A) flats are non-machinable.

- b. Based upon the information provided in TW/USPS-T26-2(a), 85.73 percent of bulk-entered non-carrier route First-Class, Periodicals, and Standard Mail (A) flats are machinable. Periodicals (Regular and Nonprofit) have a machinability factor of 80.76 percent. These figures show that Periodicals (Regular and Nonprofit) flats are less machinable than the average across all bulk-entered flats. Further, using the machinability factors from all of the mail characteristics studies as identified in subpart (a) above, flats machinability factors similar to the 85.5 percent for Regular Periodicals discussed in TW/USPS-1(e) can be constructed. They are as follows: 57.3 percent for non-single piece First-Class, 61.3 percent for Periodicals Nonprofit, 88.2 percent for Standard Mail (A) commercial, and 93.5 percent for Standard Mail

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(A) nonprofit. Hence, machinability factors for Standard Mail (A) are higher than Periodicals factors.

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TW/USPS-3. In his answer to TW/USPS-T26-1f, witness Seckar offers various explanations of why Periodicals flats today may have a higher degree of machinability than in the past, including the Postal Service's working closely with the mailers and the certification of poly-wrap materials.

a. Does the Postal Service concur with witness Seckar that there has been an improvement in Periodicals flat machinability? Please explain your answer.

b. Does the Postal Service believe that improvements in Periodicals flat machinability have been sufficient to upgrade the estimate of machinability on FSM 881's from the 75% used by witness Byrne in MC95-1 and the 57% used by witness Pham in MC91-1, to the 85.5% effectively assumed by witness Seckar in this case? Please explain your answer.

c. Please confirm that an improvement in machinability for Periodicals flats could, other factors being equal, be expected to lead to reduced costs of processing Periodicals mail. Please explain if not confirmed.

d. How much does the Postal Service estimate that the costs of processing Periodicals mail have been reduced as a consequence of improved machinability for Periodicals flats?

RESPONSE:

a. The Postal Service believes that the initiatives mentioned by witness Seckar in response to TW/USPS-T26-1(f) would have improved machinability for all flats, including Periodicals.

b. For a complete understanding of the Docket No. MC95-1 machinability factor of 75 percent, please refer to the response to TW/USPS-T26-1(e). For a complete understanding of the Docket No. MC91-1 factor of 57 percent, please refer to the response to TW/USPS-T26-1(f). Witness Seckar does not make any assumptions concerning the machinability

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level of flats; rather, he relies upon the estimate provided in the
Periodicals mail characteristics study, LR-H-190.

As noted in subpart (a), the Postal Service believes that the efforts
mentioned by witness Seckar in his response to TW/USPS-T26-1(f) have
increased the number of overall machinable flats, including Periodicals.
The data referenced in subpart TW/USPS-2(a), however, do not reflect
the Periodicals Regular 85 percent machinability rate.

- c. Confirmed.
- d. The Postal Service has not attempted to quantify any cost shifts as a
result of changes in machinability levels of Periodicals mail.

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TW/USPS-T26-4. The following table shows the FSM and manual flat sorting costs in MODS offices that, according to Table 5 in USPS-T-12, have been attributed to respectively First Class, Periodicals, Standard A and all mail based on the new USPS costing method. It also shows the percentage of the combined FSM and manual flat sorting costs that were incurred in manual sorting.

BY96 FSM & Manual Flat Sorting Costs Per Class			
Class	FSM	Manual Flats	Percent Manual
First Class	389,271	188,801	32.66%
Periodicals	48,684	86,676	64.03%
Standard A	212,974	146,124	40.69%
All Mail	676,538	445,858	39.72%

a. Please confirm that the above table correctly reflects the attribution of FSM and manual flat sorting costs to various classes that the Postal Service proposes in this docket. If not confirmed, please provide corrections.

b. Please confirm that for Periodicals, 64% of their attributed flat sorting costs were manual sorting costs, versus only 32.7% for First Class and 40.7% for Standard A flats. Additionally, please describe all reasons known to the Postal Service that might explain this phenomenon.

c. Does the Postal Service believe that the much higher propensity of Periodicals flats to be sorted manually is caused by Periodicals flats being less machinable than other flats? Please explain your answer.

d. What percentage of First Class flats were pre-barcoded in FY96?

e. Please confirm that in FY96 non-carrier route Periodicals flats had a much higher degree of prebarcoding than First Class flats.

f. If 42% of Periodicals flats were pre-barcoded and thereby presumably also machinable, and if, as assumed by witness Seckar and confirmed in the Postal Service's response to TW/USPS-T26-1b, 75% of the remaining 58% were also FSM machinable, i.e. a total machinability of 85.5%, then how is it possible that Periodicals flats continue to be mostly sorted manually, to a much larger extent than other classes of flats? Please explain as completely as possible.

RESPONSE:

a. Confirmed.

b. Confirmed. There are several reasons. First, the majority of First-Class flats are non-presorted, and thus require more sorts per piece than either Periodicals or Standard A flats. Since FSM capacity is not constrained for

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outgoing schemes, a large proportion of outgoing sorts (which are primarily First-Class) take place on the FSM. A much higher proportion of non-carrier route Periodicals is made up to the 5-digit bundles than First-Class Mail, so a larger proportion of Periodicals sorts take place in incoming secondary schemes. FSM capacity is constrained for incoming secondary schemes, so a smaller proportion of incoming secondary sorts take place on the FSM. Moreover, the Periodicals service standard results in shorter processing windows for this mail, in contrast to the processing window for Standard A flats.

Second, with regard to Periodicals vs. Standard A flats processing on FSMs, Standard A may be more likely to receive such processing due to service concerns for Periodicals, a higher percentage of prebarcoding for Standard A, and greater machinability concerns and problems for Periodicals as discussed more fully below. In addition, it is not uncommon for Periodical mailers to prepare a 5-digit sack that contains one bundle of six (or fewer) flats to obtain better service. Accordingly, many of these pieces are routed directly to delivery offices for sortation to carrier route. Generally, it is more efficient to sort the few pieces that are contained in these "skin sacks" manually than to attempt processing them on the FSM.

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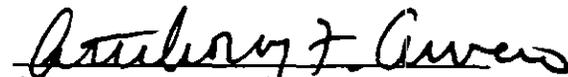
In FY96 the percentage of prebarcoded Standard A flats, 57.8, is significantly higher than the percentage for Periodicals, which is 42.2.

Finally, regarding machinability and machinability concerns, a somewhat higher percentage of Standard A flats as compared to Periodicals flats are machinable as indicated in the response to TW/USPS-2(b) based on mail characteristics data.

- c. See the response to subpart b.
- d. About 2 percent of First-Class flats were prebarcoded. Please note that only an approximate 9 percent of First-Class flats were presorted in FY96.
- e. Confirmed.
- f. See the response to subpart b.

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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September 25, 1997