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

COMPLAINT OF TIME WARNER INC. ET AL.
CONCERNING PERIODICALS RATES Docket No. C2004-1

RESPONSE OF TIME WARNER INC. ET AL. WITNESS HALSTEIN STRALBERG TO USPS/TW ET AL.-T1-12, REDIRECTED FROM WITNESS MITCHELL

(June 28, 2004)

Time Warner Inc., Condé Nast Publications, a Division of Advance Magazine Publishers Inc., Newsweek, Inc., The Reader's Digest Association, Inc., and TV Guide Magazine Group, Inc. (collectively, Time Warner Inc. et al.) hereby provide the response of witness Stralberg (TW et al.-T-2) to interrogatory USPS/TW et al.-T1-12, redirected from witness Mitchell, filed June 14, 2004.

The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

s/
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RESPONSE OF WITNESS STRALBERG (TW et al.-T-2) TO USPS/TW et al.-T1-12, REDIRECTED FROM WITNESS MITCHELL

USPS/TW et al.-T1-12. On page 15, lines 3-5 of your testimony, you state, "[f]or example, with bundles now being sorted on small parcel and bundle sorters (SPBSs), the cost of sorting bundles is virtually independent of the weight of the bundles and the number of pieces in them."

(a) Have you conducted any studies, or are you aware of any studies, that support your conclusion that the cost of sorting bundles is virtually independent.of the weight of the bundles and the number of pieces in them? If so, please provide the results of those studies. If not, please provide the basis for your claim.

(b) Please confirm that a bundle for a given issue of a periodical would weigh more than a second bundle, if the number of pieces in the first bundle were greater than the number of pieces in the second bundle of the same periodical. If not confirmed, please explain.

(c) When less secure bundling materials are used, isn't it possible that the first bundle described above in (b) might be more likely to break when it is processed? If your response is no, please explain.

(d) When a heavier bundle that contains more pieces is processed through postal dumping mechanisms and equipment, please confirm that it is possible that the weight could not only result in that bundle being broken, but could also result in other nearby bundles being broken? If not confirmed, please explain.

(e) Please confirm that when a heavy bundle containing many pieces breaks, the piece distribution costs would be greater than they would have been had the same number of pieces been secured in multiple bundles prepared at the same presort level, assuming that the multiple bundles did not break. If not confirmed, please explain.

USPS/TW et al.-T1-12. Please see my answer to USPS/TW et al.-T2-12.

a. The purpose of the analysis described in my testimony was to identify and separate the Periodicals mail processing costs that vary with, respectively, the number of pieces, the number of bundles, the number of sacks, the number of pallets and the number of pounds. I presented the results of that analysis to Mr. Mitchell, who used the results to develop an alternative and more cost based rate design. Starting with the analysis presented in LR-I-332, I concluded that some of the costs identified as per-bundle costs were in fact costs that would vary with the size of the bundles. I defined those costs as weight related – although they can be expressed on a per-bundle basis, they do in fact vary with the bulk, or size, of the bundles sorted in a given bundle sorting operation, rather than with the number of bundles.

The bundle unit costs that Mitchell used in his rate design are those I identified as varying by the number of bundles, rather than by weight. I also analyzed the cost impact of bundle breakage but, unlike the suggestion you appear to be making in several interrogatories, I did not use bundle size as a driver for bundle breakage costs. The reason is that I believed, and still believe, that the most important drivers for bundle breakage costs are first of all whether a bundle is carried in a sack or a pallet, and secondly the relationship between container and bundle presort level. Holding those factors constant, one can probably show that a number of characteristics of the bundle itself also have some impact.

b. Yes, if you assume that all copies have the same weight.

c. All other factors being the same, including bundle preparation, container type and the treatment they receive when the container is dumped and afterwards, the probability of breakage is probably greater for the larger bundle.

d. It is possible. In my observation, such destruction is most likely to occur when an excessive volume of bundles is dumped all at once, creating an avalanche effect. When bundles are released more gradually onto a conveyor belt, their chances of survival are much higher.

e. If I understand the question, it is whether the pieces in the bundle that breaks will experience higher per-piece costs than the pieces in the bundles that don't break. I believe that is true in most cases. On the other hand, if the smaller bundles had been carried in a sack and the larger bundle on a pallet, I believe the probability of breakage for the smaller bundles would be much higher.

One should also consider the situation that after all is more normal, at least when the bundles come from a pallet, namely that both the large and the small bundles do not break. If, for example, a 5-digit bundle with 30 pieces and three 5-digit bundles with 10 pieces of the same size all survive, then the three smaller bundles will require three bundle sorts instead of one for the large one, and in the 035 operation when the bundles are broken and the pieces "prepped" for piece sorting, the three smaller

bundles together will again require about three times as much work as the large bundle by itself.