

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes,
2006

)

Docket No. R2006-1

SECOND SET OF INTERROGATORIES OF
MAGAZINE PUBLISHERS OF AMERICA, INC.
AND ALLIANCE OF NONPROFIT MAILERS
TO USPS WITNESS McCRERY
(MPA/USPS-T42-3-8)
(June 7, 2006)

Pursuant to sections 25, 26 and 27 of the rules of practice, Magazine Publishers of America, Inc., and Alliance of Nonprofit Mailers direct the following interrogatories to United States Postal Service witness Marc McCrery (USPS-T-42). If the witness cannot answer a question or subpart, we request that the Postal Service answer through another witness or submit an institutional response.

Respectfully submitted,

David M. Levy
Paul A. Kemnitzer
SIDLEY AUSTIN LLP
1501 K Street, N.W.
Washington, DC 20005-1401
(202) 736-8000

*Counsel for Magazine Publishers of America,
Inc., and Alliance of Nonprofit Mailers*

MPA/USPS-T42-3. Please refer to the Report of the Periodicals Operations Review Team, which was filed as part of Docket No. R2000-1, USPS-LR-I-193. Page 19 of the Report states: "One of the most resounding themes heard from local USPS P&DC managers and Postmasters was a desire for more 5-digit 'cross-dock' pallets."

(a) Please describe the mail flow for Periodicals Outside County Carrier Route flats entered on 5-Digit pallets at the Destination Sectional Center Facility (DSCF).

(b) Please describe the mail flow for Periodicals Outside County Carrier Route flats entered on SCF or 3-Digit pallets at the Destination Sectional Center Facility (DSCF).

(c) Are there any additional mail flow differences between Carrier Route flats entered on SCF or 3-Digit pallets and those entered on 5-Digit pallets if the pallets are entered further upstream? If so, please describe them.

(d) Please describe the mail flow for Periodicals Outside County 5-Digit flats entered on 5-Digit pallets at the Destination Sectional Center Facility (DSCF).

(e) Please describe the mail flow for Periodicals Outside County 5-Digit flats entered on SCF or 3-Digit pallets at the Destination Sectional Center Facility (DSCF).

(f) Are there any additional mail flow differences between 5-Digit flats entered on SCF or 3-Digit pallets and those entered on 5-Digit pallets if the pallets are entered further upstream? If so, please describe them.

MPA/USPS-T42-4. Please refer to lines one through 8 on page 26 of your testimony, where you state, "Bundle integrity can have a significant impact on the productivity of any bundle sorting operation. If and when a bundle breaks prematurely, the value of the bundle presort can be partially or completely lost, and the bundle may require distribution in a residual distribution operation. Also, productivity can suffer when, for example, a mailhandler attempts to capture and repair a ruptured bundle within the bundle sorting operation. Any improvements to bundle integrity either through customer mail preparation, changes in mailing standards, or more rigid mail acceptance procedures will reap significant savings within mail processing."

(a) Please confirm that, on April 30, 2006, the Postal Service implemented a new mailing standard that requires mailers to use two bands to secure all

bundles of presorted flat-size mail and irregular parcels when those bundles are not shrinkwrapped. Discuss the expected effect of this new rule on mail processing costs, and produce any empirical data or analyses of the effect to date.

(b) Please confirm that in 2005 the Postal Service performed multiple "Bundle Blitzes," provide the dates of these Bundle Blitzes, and discuss their purpose and results.

(c) Please describe all Postal Service efforts since the beginning of FY 2005 to educate customers on proper bundle preparation.

(d) Please produce copies of all educational material on proper bundle preparation that the USPS has made available to customers since the beginning of FY 2005.

(e) Have mail acceptance procedures related to bundle integrity become "more rigid" since the beginning of FY 2005? If so, please explain fully, and provide all data, analyses, reports and other documentation that support your response.

(f) Has bundle integrity improved since the beginning of FY 2005? Please be as quantitative as possible and explain your response fully. Please also provide all data, analyses, reports and other documentation that support your response.

MPA/USPS-T42-5. Please refer to lines 8 through 12 on page 22 of your testimony, where you state that, in the future "Beyond the Test Year" DPS environment for flats, "with the possible exception of saturation Enhanced Carrier Route (ECR) mail, carrier route presorted bundles will not have value for DPS zones, with 5-digit or 5-digit scheme presort being the finest sort required, similar to the situation with letters. Larger scheme bundles or stacks of flats prepared on pallets for one or multiple sort plans could likely be a more appropriate preparation for flats in a sequencing environment."

(a) Please confirm that mailings of flats that are currently entered in carrier route presorted bundles have more pieces per ZIP Code than mailings of flats that are currently entered in 5-Digit bundles. If you do not confirm without qualification, please explain fully, and produce sufficient data, analyses, reports and other documentation to verify your response.

(b) Your testimony states that "carrier route presorted bundles will not have value for DPS zones" in a flats sequencing environment. Do you expect, however, that having more pieces destinating in the same ZIP Code will continue

to have value for DPS zones (e.g., because the larger number of pieces per ZIP Code will allow the publisher to prepare large 5-digit or 5-digit scheme bundles, 5-digit stacks of flats and even entire 5-digit pallets of flats)? Please explain your response fully, and produce sufficient data, analyses, reports and other documentation to verify your response.

(c) Please confirm that 5-Digit and 5-Digit Scheme pallets will have value in a flats sequencing environment. Please explain your response fully.

MPA/USPS-T42-6. Please refer to the description of the SKIN SACK REDUCTION PROGRAM on pages 19 and 20 of USPS-LR-L-49. In particular, please refer to the following sentences:

“Mailing standards will be modified to no longer allow the preparation of certain sacks within Periodicals that contain fewer than the established minimum of 24 pieces...With the attention to service and the results achieved over the last several years, this costly option is no longer necessary.”

(a) Please confirm that the modification to mailing standards mentioned in the cited passage of USPS-LR-L-49 was implemented on May 11, 2006. If not confirmed, please explain fully.

(b) Has the modification to mailing standards affected the service provided to Periodicals Outside County mail? Please explain your response fully.

MPA/USPS-T42-7. Please refer to page 20 of USPS-LR-L-49 where it states, “The outgoing distribution of flat mail pieces prepared in mixed bundles has recently been consolidated into significantly fewer facilities and moved to automated processing wherever practical.” Please also refer to the proposed rule entitled “New Preparation for Periodicals Flats in Mixed Area Distribution Center Bundles and Sacks” in the March 7, 2006 Federal Register (page 11366) where it states,

“The new separation allows us to integrate Periodicals flats into the First-Class mailstream for Periodicals addressed to destinations within the First-Class Mail surface transportation reach of the office of entry. Under the new preparation, mailers separate some mixed ADC mail according to the destination ZIP Codes in new labeling list L201. Pieces prepared according to L201 are processed with First-Class Mail by the entry office. The remaining mixed ADC mail destined for ZIP Codes farther from the office of entry is sent to one of the 34 origin facilities designated in labeling list L009 for consolidated processing. To fully benefit from this new preparation,

Periodicals mailers should begin preparing Periodicals mail under these standards as soon as possible. Having all mixed ADC mail prepared uniformly allows us to establish a consistent network and operating procedure for handling this mail across our processing facilities. Processing some Periodicals mail with the existing outgoing First-Class Mail at approximately 330 locations will have little impact on the operations at these offices but will relieve the 34 locations currently processing this consolidated volume of a significant amount of work.”

(a) Please confirm that the proposed implementation date for the “New Preparation for Periodicals Flats in Mixed Area Distribution Center Bundles and Sacks” rule is July 6, 2006. If not confirmed, please provide the correct implementation date.

(b) Please confirm that use of the L009 labeling list mentioned in the proposed rule cited above became a requirement for Periodicals Mixed ADC flats on May 15, 2005. If not confirmed, please explain fully.

(c) At the beginning of FY 2005, was there a consistent operating procedure for handling Mixed ADC Periodicals mail? If so, please describe it precisely, and produce Postal Service manuals, management instructions, or similar documents sufficient to verify your response.

(d) Please confirm that the Postal Service is in the process of establishing the “consistent network and operating procedure” for Periodicals Mixed ADC mail described above, and that the network and operating procedure will be in place by the Test Year. If not confirmed, please explain fully.

(e) Please confirm that, by the end of FY 2006, the Postal Service will have put in place the mailing standards to support the “consistent network and operating procedure.” If not confirmed, please explain fully.

(f) Please confirm that “integrat[ing] Periodicals [Mixed ADC] flats into the First-Class mailstream for Periodicals addressed to destinations within the First-Class Mail surface transportation reach of the office of entry” will increase the proportion of Periodicals Mixed ADC flats that are sorted on automation and explain why.

(g) Please confirm that, because Periodicals Mixed ADC flats will be integrated into the First-Class mailstream only for pieces addressed to destinations within the First-Class Mail surface transportation reach of the office of entry, the integration with First-Class Mail will not cause the transportation of Periodicals by air.

(h) Please confirm that the Postal Service is consolidating the processing of Periodicals Mixed ADC flats that will not be integrated into the First-Class mailstream at 34 locations. If not confirmed, please explain fully.

(i) Please confirm that consolidating the processing of Periodicals Mixed ADC flats that are not integrated with the First-Class mailstream at 34 locations will increase the proportion of Periodicals Mixed ADC flats that are on automation. Explain your answer fully, and provide all available documentation of the magnitude of the increase.

MPA/USPS-T42-8. Please refer to page 20 of USPS-LR-L-49, which states that:

“The Postal Service is aggressively exploring alternatives for the preparation of Periodicals outside of sacks. The amount of mail prepared on destination pallets is beginning to be maximized by optimizing the presort rules and adjusting the pallet preparation minimums. Also, options will be developed to allow the entry of smaller, local Periodicals mailings at destination facilities in alternate containers or by unloading the bundles straight into a container (e.g. rolling stock, pallet box) provided by the plant. Based on the cost associated with sorting, transporting, and dumping sacks, as well as the impact to the contents (e.g. bundle breakage) any decrease in sack utilization is expected to produce significant benefits.

(a) Please list, and provide citations to, all optional and required mailing standards that have been implemented since the beginning of FY 2005 that will reduce the number of sacks used to mail Periodicals. Produce copies of any such standards that are not publicly available.

(b) Please provide a brief description and an explanation of why each mailing standard listed in subpart (a) of this interrogatory will reduce sack usage.

(c) For each standard listed in your response to subpart (a) of this interrogatory, please provide the date on which it became an option (if applicable) and the date on which it became a requirement (if applicable).

(d) Please confirm that you expect the percentage of Periodicals Outside County volume that is entered at destination facilities to increase from FY 2005 to FY 2008. If not confirmed, please explain fully. If confirmed, by how much do you expect the percentage of Periodicals Outside County volume entered at destination facilities to increase? Please explain your calculations, and provide all data, reports, studies and analyses on which they are based.