

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS McCRERY
TO INTERROGATORIES OF TIME WARNER, INC.
(TW/USPS-T42-12-28)
(June 26, 2006)

The United States Postal Service hereby provides the responses of witness McCrery to the above-mentioned interrogatories of Time Warner, Inc., filed on June 12, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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TW/USPS-T42-12 Please comment on the risk of bundles breaking prematurely when sorted on an APPS machine versus the similar risk when bundles are sorted on an SPBS or manually. In particular:

- a. Was reduced bundle breakage among the design objectives during the development of the APPS? If no, why not?
- b. Based on your experience and observations, where facilities have moved bundle sorting from SPBS to APPS machines, has the problem with bundle breakage: (1) been reduced; (2) become worse; or (3) remained about the same?
- c. Has there been any quantitative study of bundle breakage as it relates to APPS machines? If yes, please provide the results of any such study.
- d. Please describe current operating procedures for the APPS as regards actions to be taken when bundles break or are about to break.
- e. Among the facilities that use APPS machines to sort flats bundles today, is it common practice to dump sacked flats bundles on the APPS, along with bundles from pallets or other containers? Do some facilities avoid putting sacked bundles on the APPS? If yes, how many?

Response:

a. Yes.

b. In facilities where bundle sorting has moved from SPBS to APPS equipment, bundle breakage is perceived to have become worse. Generally, this is not due to degradation in bundle quality but the limited ability to rescue and repair failing or broken bundles within the automated processes of the APPS compared to the SPBS (see USPS-T-42, pages 26 and 27 for more information).

c. I am not aware of a quantitative study on bundle breakage on APPS.

Electronic Mail Improvement Reporting (eMIR) system is used to report mail

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piece irregularities nationwide, including at all APPS sites. See response to MPA/USPS-T42-4b for a brief summary of results of eMIR and bundle integrity in CY 2005.

d. The following procedures are used to secure the integrity of bundles that are about to break or are broken:

1. Remove broken bundle.
2. Counter-stack uneven pieces to form a more uniform bundle.
3. Re-band using strapping machine.
4. Ensure banding material does not cover address block.
5. Place bundle back onto load conveyor.

In the event that the integrity of the bundles has been lost to the extent that it cannot be recouped, the procedures for handling broken bundles are:

1. Collect loose pieces.
2. Orientate with address up and bound edge to the right.
3. Place in flat mail cart (FMC).
4. Flat tubs may be used when time is an issue and loose mail is in abundance.
5. When time permits, prep flat mail from tubs to FMC.

e. Facilities have sack shake-out operations that prepare sacked mail for processing on the APPS. The decision to redirect questionable mailings to SPBS equipment or manual units is made locally and on a case-by-case

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basis. Questionable bundles in sacks are rerouted from the APPS on the same basis as questionable bundles on pallets.

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TW/USPS-T42-13 Please comment on the relative use of APPS machines in postal facilities for (1) bundle sorting and (2) parcel sorting, and how it is likely to change in the future. In particular, please address the following questions.

- a. Is it possible through either MODS or any other data base to determine the numbers of (1) parcels and (2) bundles that are sorted on the APPS machines? If yes, please provide FY2005 estimates for both.
- b. Roughly what percentage of the items sorted on APPS machines in the test year do you expect to be flats bundles?
- c. Roughly how many of the APPS machines currently deployed are used for: (1) parcel sorting only; (2) bundle sorting only; and (3) both parcel and bundle sorting?
- d. Do you believe there is a difference in productivity (units per workhour) between bundle sorting and parcel sorting when performed on the APPS? If yes, please explain why and provide any available quantification of the difference.
- e. To your knowledge, is any APPS machine used today for incoming secondary bundle sortation? If yes, how often does this occur? How often is it likely to occur in the test year?
- f. Roughly how much time does it take to set up an APPS machine for a new sorting scheme? Please assume for the purpose of answering this question that the new sorting scheme will use all of the potential separations that APPS provides, so that all the recipient containers need to be replaced.
- g. Given the large number of possible separations available on the APPS, and the costs of setting up the machine for a new scheme, do some facilities more or less permanently reserve sets of separations for particular sorting schemes, e.g., by reserving some separations for Priority parcels, another set of separations for flats bundles, etc.? If this practice is used, how common is it in facilities with APPS machines?
- h. Is it possible that when an APPS is used to sort flats bundles the same sorting scheme is always used, thereby avoiding setup costs involved in changing to a new scheme? If yes, how often does this occur?

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Response:

a. For sort schemes on which both bundles and parcels are processed, the volumes of each cannot be readily separated and are reported as a combined product. The volume of pieces sorted (minus rejects) and the productivity for bundles and parcels on the APPS are:

Mail type	Volume	Productivity
Combined Parcels and bundles	162,012,214	448
Priority Parcels	144,383,489	403

Priority parcels are sorted separately. The difference in productivities can be attributed to the fact that Priority parcels have larger dimensional characteristics and typically use sacks or Gaylord boxes for dispatch. Sacks require frequent replacement because there are fewer pieces sorted per sack, and Gaylord boxes have to be replaced using pallet jacks as opposed to wire-tainers full of bundles which can be pushed and replaced manually.

b. I have no basis on which to provide the response, however, I do not expect it to be considerably different than today.

c. One APPS machine is currently processing only parcels while three APPS machines are processing only bundles. The balance of the APPS machines is processing both.

d. See response to subpart (a).

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e. No. APPS is not likely to be used for incoming secondary bundle sortation in the test year.

f. The time to change-over an APPS sort scheme varies considerably due to the number of outputs (i.e., 100-200), configuration of the machine (i.e., open vs. closed loop), types of output containers "swept" (i.e., sacks, wire-tainers, Gaylord boxes, etc.), types of empty containers prepped on the machine, proximity of dispatch staging areas, availability of replacement containers, and crew size, etc. The goal is 30 minutes or less for a sort scheme change-over.

g. Such decisions are made locally by management to optimize the processing and dispatch of mail on/off the APPS. Reservation of bins is a fairly common practice as long as it fulfills the needs of the sort scheme (e.g., out of scheme, reject bins); though it is not likely that bins would be reserved for bundles on a Priority parcel scheme.

h. Yes. This is very common.

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TW/USPS-T42-14

- a. Do APPS machines have the capability to gather statistics on how many units are keyed to each destination? If yes, can one, for example, determine the percentage from a given sort scheme that is sorted to the 5-digit level?
- b. When APPS machines are used for ADC bundle distribution, what percentage of the bundles are sorted to: (1) 5-digit separations; (2) 3-digit separations; (3) other SCF's served by the ADC; and (4) other separations (please specify)?

Response:

a. The APPS machine has the capability to gather statistics on how many units are sorted to each destination. This volume includes pieces resolved by Optical Character Reader (OCR), Bar-Code Reader (BCR) and keyed by Remote Encoding Center (REC).

Yes, at a facility level, the percentage of mail sorted on a given sort scheme to 5-digit level can be determined.

b. This information is not readily available at a national level, and this is complicated by the fact that many APPS used for ADC bundle distribution also perform SCF bundle distribution on the same scheme. However, an estimate could be generated by analyzing the Periodicals Mail Characteristics found in USPS-LR-L-91, specifically the percentage of each bundle by presort level prepared on ADC pallets and in ADC sacks.

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TW/USPS-T42-15

Please describe the possible paths taken by a flats bundle whose address the APPS machine is unable to read, and the costs and approximate probability of each path. In particular:

- a. Please confirm that the address for such a bundle may be resolved via remote encoding. If available, what percent of bundle addresses are resolved in this way?
- b. Please confirm that such a bundle may be returned to the APPS feeding belt for another try at address resolution. If confirmed, how does one avoid the same bundle being returned over and over again?
- c. Under what conditions will a bundle that passed through the APPS automatic reader without its address being resolved be sent to a manual bundle sorting operation?
- d. Does an APPS crew include any employee(s) assigned to key items whose address could not be resolved by the automatic reader? If yes, how many?

Response:

a. Confirmed. Data providing separate figures for parcels and bundles is not available. Out of the 306,395,703 pieces processed on the APPS in FY 2005 (see response to TW/USPS-T42-13, subpart (a)), 42.02% were resolved by the REC.

b. Confirmed. The pieces that are re-fed to the semi-automatic induction station from the sorter for another try at address resolution are not returned back for a third try at address resolution and are sorted to the reject output bin.

c. APPS output rejects are routinely routed to an SPBS machine or to a manual unit for processing. The decision to route reject containers to an SPBS or

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manual unit or reprocess the volume through the APPS is made by local management.

d. No. The crew at the site where the APPS is located is not assigned or qualified to key mail. The APPS are connected to Remote Encoding Centers (RECs) that serve several APPS sites concurrently. The number of employees assigned per site depends on the type, class, volume, number of induction stations and availability of personnel.

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TW/USPS-T42-16 Please describe the staffing of an APPS machine, including the number of employees from each craft and their various assignments. If this varies according to the configuration and use of a particular machine, please explain further.

Response:

The craft assigned to work on the APPS is mail handlers. The assignments and number of mail handlers on the APPS are categorized into the following:

Feed/load - 2-3 per induction station.

Semi-Automatic induction – 1 per semi-automatic induction station.

Sorter/sweep operations – 2-8. The staffing requirements of the APPS vary by configuration, number of induction stations (1-2), number of output bins (100-200), mail class, sort scheme, shape and availability of containers, number of allied personnel and local requirements, etc.

Powered industrial equipment (PIE) operators can also be considered part of the APPS crew if they are not also assigned to work in other operations/units. PIE operators bring in working mail to the induction stations from staging area and take away dispatch mail to the dispatch staging/docks.

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TW/USPS-T42-17 Please describe the maintenance requirements for APPS machines, including the frequency of both scheduled and unscheduled maintenance and the amount of down time and number of maintenance personnel typically involved. When does scheduled maintenance typically occur?

Response:

The APPS daily preventative maintenance requirements are four hours per day. APPS has condition-based maintenance requirements that are determined by the utilization of the machine. Unscheduled maintenance cannot be predicted in terms of frequency, down-time or number of personnel involved.

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TW/USPS-T42-18

In your testimony (p. 18, ll. 10-16) you describe the Flats Sequencing System (FSS), which you say “will be used to walk sequence flat mail pieces for delivery within a single or multiple 5-digit delivery zones.” You indicate that “Deployment is expected to begin in April 2008 contingent upon successful testing and board approval.”

Please describe the requirements that flats will need to meet in order to be processed on the FSS as it is currently envisioned. In particular:

- a. Will all flats currently able to be sorted on the AFSM-100 also be able to be sorted on the FSS?
- b. Will the FSS be able to sort flats currently considered non-machinable on the AFSM-100 machines? If yes, what kinds of non-AFSM-100 machinable flats will be able to be sorted on FSS?
- c. Will flats that arrive through the UFSM mailstream, having been sorted on a UFSM machine in an outgoing or incoming primary operation, be processed on the FSS?
- d. Will flats that arrive through the manual mailstream, having been sorted manually in an outgoing or incoming primary operation, be processed on the FSS?
- e. Consider a 3/4 inch thick magazine with standard magazine length and height and weighing 2.5 pounds. Would it be considered a candidate for FSS processing? If no, where would such a magazine be sent if it arrived at an FSS machine?
- f. Would a CD or DVD, enclosed in a cardboard cover, be considered a candidate for FSS processing? If no, where would the CD/DVD be sent if it arrived at an FSS machine?
- g. Would flats that in this docket are referred to as “hybrid” be considered candidates for FSS processing?
- h. Under what conditions would a newspaper be considered a candidate for FSS processing?

Response:

- a. That is the expectation.

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b. FSS is designed to handle most of the mail that could be sorted on the UFSM, but it is premature to speculate on the precise capabilities of the production version.

c.-h. See my answer to part b. It should also be noted that even if the FSS machine is physically capable of processing rigid pieces, they are unlikely to be processed on the machine if that would result in an unstable FSS flats bundle. It is likely not cost-effective to compensate carriers for picking rigid pieces out of the FSS bundle. See testimony of witness Coombs (USPS-T-44) in this case.

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TW/USPS-T42-19 You indicate (p. 18, ll. 12-13) that flats processed on an FSS machine will pass through it twice, resulting in flats in carrier walk sequence.

- a. Please confirm that before the FSS starts the second pass for flats to a given zone, all the flats that are to be included in the FSS bundle that day must already be available and must have gone successfully through the first FSS pass. If not confirmed, please explain.
- b. Please provide a rough timeline for FSS processing, based on how the Postal Service at the present time envisions implementation of this system in a postal plant serving a large metropolitan area. Specifically, please indicate the hours during which the FSS would perform the second pass, the hours before that when it would perform the first pass, and the approximate time at which the finished FSS product would be ready to be dispatched to the delivery units. Please provide approximate time intervals even if the Postal Service has not yet developed detailed plans.
- c. In the situation described in part b above, and consistent with your answer to part b, approximately when is the latest time that a flat would have to arrive at the platform of the given plant in order to have a reasonable chance of being included in next day's FSS delivery? Please answer separately assuming that the flat is:
 - (1) part of the collection mailstream;
 - (2) on a 5-digit pallet;
 - (3) in a 5-digit bundle on a 3-digit pallet; and
 - (4) in a 3-digit bundle on a 3-digit pallet.
- d. Please assume that after the completion of the second FSS pass the sequenced product is dispatched to a delivery unit that is an hour and a half away. Consistent with your answer to part b above, when, realistically, would carriers in that DU be able to take the mail to the street for delivery?

Response:

a. Confirmed.

b. – d. Tests are underway to develop the best operating strategy for the FSS machine. It would be premature to speculate on these questions.

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TW/USPS-T42-20 Please describe how the FSS will handle a flat whose address its automatic reader is unable to read. In particular?

- a. Will the FSS have remote encoding capability? If yes, will it use such capability in both passes or just the initial pass?
- b. If the FSS has an address resolved through remote encoding in the first pass, does it have a way of remembering the result when it encounters the same flat in the second pass? If yes, how?
- c. What will be the disposition of flats whose address are not resolved on the FSS?

Response:

- a. Yes, on the first pass only.
- b. Yes, a Flats ID Code Sort (FICS) label is affixed to the flat (see USPS-T-42, page 15, for more information).
- c. Manual processing.

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TW/USPS-T42-21

Please describe in as much detail as possible the Postal Service's plans for managing the staging, storage and retrieval of the large volume of flats at plants that perform FSS processing, including the staging between the two FSS passes and including large volumes of flats that today are carrier route presorted and go directly to the delivery units. In particular:

- a. Please confirm that all flats processed in the initial FSS pass must be stored and then retrieved for the second pass on the machine. Please confirm also that entering flats from pass 1 into pass two in the proper sequence is essential for correct results.
- b. Does the FSS have its own storage and retrieval system? If yes, what is the capacity of that system?
- c. Will flats between pass one and pass two be kept in flats tubs or some other container? Please explain.
- d. What type of container will be used for the FSS product resulting from pass two?
- e. Roughly how much floor space will be taken up by an FSS machine and its associated storage area?

Response:

- a. Confirmed to both questions.
- b. Yes. Current design layouts call for storage of 1,080 trays in the primary staging area.
- c. Yes, the container is captive within the FSS machine.
- d. A flats tray designed for carrier use.
- e. Under current design plans, approximate machine square footage is less than 15,000 square feet, 5,000 square feet is added for storage and an additional 5,000 square feet for aisle space.

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TW/USPS-T42-22 Please state the approximate expected FSS throughput, staffing level and productivity rate for each FSS pass.

Response:

It is premature to speculate on the precise capabilities of the FSS production version or the operational procedures that will be employed.

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TW/USPS-T42-23 Will it be possible to bring a 5-digit pallet with unbundled flats directly to the FSS pass one input and to load the flats directly into the machine, without a separate flats preparation process?

Response:

It is premature to speculate on the precise capabilities of the FSS production version or the operational procedures that will be employed.

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TW/USPS-T42-24 Will the FSS have an automated induction capability, similar to that on some AFSM-100's?

Response:

Yes.

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TW/USPS-T42-25 Please refer to your answers to TW/USPS-T42-7, parts e, f and g. In those answers you refer to HASP's as likely transfer points in the transportation of Periodicals sacks and pallets between remote ADC's/SCF's. Your answer to TW/USPS-T42-6g also refers to the existence of HASP transfer centers for Periodicals.

Please confirm that HASP stands for 'Hub and Spoke Program' and is described as follows in the "Glossary Of Postal Terms" (USPS-LR-N2006-1/1):

"For surface mail, primarily for 2-day committed mail. The HASP includes a central point ("hub") where mail for a group of offices ("spokes") can be unloaded from a series of incoming trips, massed according to their intended destination, and then sent on to that destination on another trip."

Response:

Confirmed.

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TW/USPS-T42-26

- a. Does the Postal Service have more than one transportation hub and spoke system? If yes, what are they?
- b. Are the hubs (HASP's) that you refer to in your answers to TW/USPS-T42-7 the same as what have often been called Periodicals transfer hubs? If no, what is the difference?
- c. How many hubs (HASP's) are there in the Periodicals surface transportation system?
- d. How many of those hubs are BMC's?
- e. How many are annexes attached or very close to a BMC?
- f. How many are separate facilities used only for container transfer?
- g. How many are (non-BMC) postal plants that also perform other kinds of mail processing?
- h. How many are used primarily for the transfer of Periodicals?
- i. Please list the hubs (HASP's) that currently are used to transfer Periodicals.
- j. Do all HASP hubs accept mail directly from Periodicals mailers? If no, which ones do not and why don't they?

Response:

- a. There is just one network of facilities designated as Hub and Spoke Program (HASP) facilities.
- b. No, the HASP network supports several product groups, while the Periodicals transfer hubs are a select group of facilities, mainly Bulk Mail Centers (BMCs), where Periodicals pallets can be deposited in closer proximity to the destination for transfer to the appropriate destination plant or delivery unit.

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- c. There will be 21 sites by the end of calendar year 2006.
- d. One.
- e. None.
- f. None
- g. Each of the HASPs performs some sack sortation.
- h. None
- i. Binghamton, Indianapolis, Salt Lake City, Phoenix, Atlanta,
Orlando, Southeast (Clinton, TN), Dallas, Bronx, New Jersey,
Northern (Westborough, MA), Busse (Chicago, IL).
- j. None accept mail directly. They are not staffed for mail acceptance activities.

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TW/USPS-T42-27

- a. Do HASP's that are not BMC's perform sack sorting? If yes, would this sorting typically be performed in the type of bullpen or sawtooth operation that you refer to in response to TW/USPS-T42-4?
- b. Do you believe that transfer hubs designed for consolidation and cross-docking of pallets and rolling containers generally perform such functions more efficiently than BMC's? Please explain your answer.

Response:

- a. Yes to both questions.
- b. It is difficult to compare the two different types of facilities. Their core duties are different as are their operating plans. However, it would be my expectation that a similar operation (e.g., bullpen) in both types of facilities would have similar efficiencies.

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TW/USPS-T42-28 Will the configuration and function of HASP hubs be significantly different in the test year from what it is today? If yes, please describe all expected changes.

Response:

It is not possible to explicitly identify how the configuration of the HASP network will look in the test year as the network evolves, however, it is expected that there will be approximately 21 HASPs by the test year. The core functions of the HASP network facilities are expected to remain the same through the test year.