

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 MICHAEL W. MILLER TO INTERROGATORIES OF
TIME WARNER INC. (TW/USPS-T20-4-7)
(July 20, 2006)

The United States Postal Service hereby provides the responses of Postal Service witness Miller (USPS-T-20) to interrogatories TW/USPS-T20-4-7, filed on July 6, 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-T20-4 The following questions concern the assumptions about bundle breakage and the cost consequences of bundle breakage used in the flats mail flow models in library references LR-L-43 and LR-L-102, both of which you sponsor.

- a. Please confirm that at each bundle sorting operation your models assume that a certain percentage of bundles break, depending only on whether it is the first or a subsequent sorting operation for a given bundle, and on whether the bundle came from a sack or a pallet. If not confirmed, please explain.
- b. Please confirm that when a bundle breaks your models assume that the pieces that were in that bundle will be routed to a piece sorting operation that corresponds to the presort level of the bundle sorting operation, e.g., if it is an ADC bundle sort you assume that the pieces will be routed to an ADC piece sorting operation. If not confirmed, please explain.
- c. Please confirm that your flats mail flow models do not include the possibility that some broken bundles are recovered by re-banding them and putting them back on the belt of the bundle sorting operation. If not confirmed, please explain how your models include the recovery of broken bundles.
- d. Please confirm that, apart from inclusion through the CRA adjustment, your models do not include the costs associated with recovering a broken bundle and re-banding it. If not confirmed, please explain how you do model those costs.

RESPONSE:

Please note that while I sponsor USPS-LR-L-43, I do not sponsor USPS-LR-L-102. The two models are identical, however, with respect to the bundle breakage issues queried about in this interrogatory.

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed.

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TW/USPS-T20-5

- a. Please assume:
- (1) that when a bundle is broken but recoverable the costs to the Postal Service of recovering the bundle are lower than the costs of prepping and then sorting the pieces in the bundle individually;
 - (2) that the Postal Service's current operating procedures emphasize bundle recovery; and
 - (3) that postal employees in fact do recover many broken bundles.
- Given that your flats mail flow models assume no bundle recovery and assume instead that pieces from broken bundles always are sorted individually, starting with the presort level of the bundle sorting operation, would it not then follow that your models in fact are exaggerating the costs associated with bundle breakage?
- b. Do you disagree with any of the three assumptions stated in part a above? If so, please state the reasons for your disagreement and identify any documentary or empirical evidence of which you are aware that supports your view.

RESPONSE:

(a) If these assumptions were, in fact, true, then it is possible that the costs associated with bundle breakage could be overstated. Any cost estimates within the models could be overstated, understated, or accurately stated, which is one reason why Cost and Revenue Analysis (CRA) adjustment factors have historically been applied to the model cost estimates.

(b) I can neither agree nor disagree with the first assumption, as I have not performed any cost comparison for these activities. I would note that such an analysis could lead to different results for different bundles, given that bundles differ in size, method of preparation, etc. I would agree with the second assumption. For the third assumption, I can agree that some bundles are

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recovered, but cannot state whether "many" bundles are recovered, as that is a relative term. I am also not aware of any field study in which an attempt was made to quantify the percentage of broken bundles that are recovered.

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TW/USPS-T20-6 Please assume that a carrier route flats bundle and a 3-digit flats bundle, both with 20 pieces, are entered on an ADC pallet which is dumped at an ADC mechanized or automated bundle sorting operation. Assume further that both bundles break, but remain recoverable. A postal employee observing the bundles can then either recover and repair them or simply prep the pieces in both bundles for an ADC piece sort.

- a. Please confirm that if both bundles are recovered and re-banded, as emphasized by current operating procedures, the extra costs caused by the breakage will have been the same for both bundles. Please explain if not confirmed.
- b. Please confirm that if instead the pieces from both bundles are taken to an ADC piece sorting operation, as assumed in your flat mail flow models, then the cost consequences of the breakage for the carrier route bundle are much higher than the corresponding cost consequences for the 3-digit bundle. Please explain if not confirmed.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

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TW/USPS-T20-7

- a. Please confirm that your models assume that in each bundle sorting operation after the first sort for a given bundle, ten percent of the remaining bundles break.
- b. Please confirm that the Postal Service has no empirically based data on the frequency of bundle breakage in subsequent bundle sorting operations where bundles are taken, not from mailer prepared sacks or pallets, but from postal containers such as hampers and APC's into which they were placed in a preceding bundle sorting operation. If not confirmed, then please describe all empirical data that the Postal Service has on this subject and provide copies of all available documentation.
- c. Please confirm that in your models the assumed bundle breakage frequency does not depend on the type of bundle sort performed, e.g., whether it is an operation where all bundles are dumped on a belt, or an operation where one bundle at a time is lifted rather than dumped and then placed in its proper receptacle.

RESPONSE:

(a) Confirmed.

(b) Confirmed. The only data available are from the qualitative flats bundle study contained in Docket No. R2000-1, USPS-LR-I-88.

(c) Confirmed.