

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
TO MAGAZINE PUBLISHERS OF AMERICA, INC., AND ALLIANCE
OF NONPROFIT MAILERS WITNESS GLICK (USPS/MPA/ANM-T2-1-7)
(September 22, 2006)

Pursuant to Rules 25 through 27 of the Commission's Rules of Practice and Procedure, the United States Postal Service hereby directs the following interrogatories to Magazine Publishers of America, Inc., and Alliance of Nonprofit Mailers witness Glick: USPS/MPA/ANM-T2-1-7.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Keith E. Weidner

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-6252; Fax -3084

USPS/MPA/ANM-T2-1 In your testimony on page 17 you discuss Postal Service witness McCrery's response to MPA/USPS-T42-1(a) in which he estimated that 44.7 percent of incoming secondary flat sorts in FY 2005 were processed manually.

(a) Have you evaluated the empirical basis for that estimate? If you have, please discuss your understanding of the empirical basis for the estimate.

(b) Please confirm that the estimate represents some non-carrier-route flats mail types, such as First-Class Mail single-piece flats and Periodicals In-County flats, which are not modeled in USPS-LR-L-43. If you do not confirm, please explain.

USPS/MPA/ANM-T2-2 In your testimony on page 17, lines 17 to 20, you state, "Previous versions (through Docket No. R2001-1) of the model used to estimate flats cost avoidances reflected this operational reality through the use of 'Incoming Secondary Machinable Flats' coverage factors." Please confirm that the only versions of flats cost models that included such factors were those found in Docket No. R2001-1, USPS-LR-J-61. If you do not confirm, please provide citations for the cost models from all dockets that included such factors.

USPS/MPA/AMN-T2-3 In your testimony on page 18, lines 4 to 5, you state, "Between Docket No. R2001-1 and Docket No. R2005-1, however, USPS witness Miller decided to remove [the 'Incoming Secondary Machinable Flats' coverage] factors."

(a) Please confirm that witness Miller discussed the removal of those factors in his responses to MPA/USPS-T20-1(e) and MPA/USPS-T20-5. If you do not confirm, please explain.

(b) Did you make an attempt to analyze whether the reasons provided by witness Miller in his responses to the interrogatories mentioned in part (a) were valid or invalid? If so, please provide that analysis and discuss your conclusions. If not, why not?

USPS/MPA/ANM-T2-4 In your testimony on page 19, lines 2 to 3, you state, "I have set the Incoming Secondary factors to 80 % machine and 20 % manual."

(a) Please provide the empirical basis for these estimates. If none exists, please explain why you set the factors at those levels.

(b) Please confirm i) that these figures represent machinable mail only and ii) that witness McCrery's response to MPA/USPS-T42-1(a) represents all non-carrier route machinable and nonmachinable mail. If you do not confirm, please explain.

(c) Are you aware of any postal data collection system(s) which could be used to estimate the percentage of machinable mail that is finalized on flat sorting equipment or in manual operations? If so, please describe it.

USPS/MPA/ANM-T2-5 In your testimony on page 19, lines 8 to 11, you state, "This allows for the likelihood that USPS efforts will reduce the volume of Periodicals Outside County flats that are sorted manually by the Test Year, but by a more reasonable magnitude than implicitly assumed by the Postal Service." Please confirm that the sole reason you conclude that your model is more reasonable than witness Miller's with respect to the percentage of manual incoming secondary sorts is because your model result is closer to witness McCrery's 44.7 percent figure than is witness Miller's model result. If you do not confirm, please provide all other reasons behind your conclusion that your result is more reasonable, including any analyses you may have performed.

USPS/MPA/ANM-T2-6 In your testimony on page 14, lines 13 to 15, you state, "Thus, my rate design uses 5-Digit Automation flats as the benchmark from which to measure the Carrier Route cost avoidance." In your testimony on page 17, lines 15 to 19, you state, "According to USPS witness McCrery, the primary operational reason why nearly fifty percent of incoming secondary sorts are manual is that 'small volumes of flats for a particular destination are processed manually when the volume is insufficient to justify the fixed costs of setting-up and sweeping a scheme for such a small volume.'" In your testimony on pages 22 and 23, you describe an adjustment you made to the 1FLATPRP cost pool, in which you attributed half of those costs only to non-carrier route mail.

(a) Please confirm that 33.33% of the Periodicals Outside County flats volumes shown in USPS-LR-L-43, page 1, are contained in the nonautomation and automation 5-digit presort flats rate categories. If you do not confirm, please indicate what you believe to be the correct figure.

(b) Please confirm that some of the 5-digit presort mail will be destined for ZIP Codes that are not sorted to the carrier route level on flats sorting machines and would therefore not incur any 035 flats prep costs. If you do not confirm, please explain.

(c) Did you make an adjustment to the costs estimates for the 5-digit presort rate categories to reflect the fact that some of that mail will not incur 035 flats prep costs? If not, why not?

(d) Had you made an adjustment like that described above in part (c), please describe how this adjustment would likely affect the cost avoidance you measure between an automation 5-digit presort flat and a nonautomation carrier route presort flat.

USPS/MPA/ANM-T2-7 In your testimony on pages 22 and 23, you discuss an adjustment to the 1FLATPRP cost pool in which you "attribute half of these costs only to non-carrier mail."

(a) Please explain your quantitative basis for using the 50-percent figure. If none exists, please indicate so.

(b) Please refer to witness McCrery's testimony, USPS-T-42, page 16, lines 28-31, where he makes the following statement concerning the Automation Induction (AI) modification to the AFSM 100: "Thus, it is anticipated that a total of 351 operational AFSM 100s will be retrofitted with the AI system. Deployment of Phase 2 is anticipated to begin in January 2007 and end in August 2007." Please also refer to his testimony on page 15, lines 8 to 9, where he states in reference to the AFSM 100, "Currently, there are 534 machines in use." Please confirm that by TY 2008, 66 percent of the AFSM 100s (351/534) will have been retrofitted with the AI system. If you do not confirm, please explain.

(c) Please refer to Docket No. R2005-1, USPS-LR-K-45, pages 11 to 16, which describe the AI system. Please also refer to witness Miller's testimony in Docket No. R2005-1, USPS-T-19, page 5, lines 12 to 14, where he states, "The AI system involves the relocation of the flats mail prep operation (operation 035) to an area directly adjacent to the AFSM100. Flat mail will be unbundled and loaded into containers that will be placed on conveyors, which will route the mail to one of three feed modules. The AI system will not impact the AFSM100 staffing requirement, but will result in reductions in clerk work hours, as all employees will be mail handlers. Furthermore, reductions in operation 035 work hours are expected." Did you attempt to make any adjustment to the 1FLATPRP cost pool to reflect 035 work hour reductions due to AI modifications? If not, why not?

(d) From page 22, line 23, to page 23, line 1, of your testimony you describe tasks associated with operation 035.

(i) Please confirm that some of the "prep" tasks you described for non-carrier route mail would be performed for carrier route mail by carriers at delivery units. If not confirmed, please explain.

(ii) Please confirm that the test year "other mail processing" wage rate for clerks/mailhandlers is lower than the test year aggregate carrier wage rate. If you do not confirm, please explain.