

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF TIME WARNER INC.
WITNESS STRALBERG (TW-T-2) TO INTERROGATORIES
OF THE UNITED STATES POSTAL SERVICE (USPS/TW-T2-1-9)
(October 11, 2006)

Time Warner Inc. (Time Warner) hereby provides the responses of witness Halstein Stralberg (TW-T-2) to Postal Service interrogatories USPS/TW-T2-1-9 (filed September 27, 2006).

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

John M. Burzio
Timothy L. Keegan

Counsel for
Time Warner Inc.

Burzio & McLaughlin
Canal Square, Suite 540
1054 31st Street, N. W.
Washington, D. C. 20007-4403
tel/(202) 965-4555
fax/(202) 965-4432
burziomclaughlin@covad.net

**RESPONSE OF WITNESS HALSTEIN STRALBERG TO INTERROGATORY OF THE
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USPS/TW-T2-1. Please refer to your Autobiographical Sketch at page 2, lines 16 to 21, where you discuss your visits to Postal Service mail processing facilities. Please indicate the postal field observations that you have conducted over the past five years, including the facility observed, the operations observed, and the approximate date in which the observations were made.

USPS/TW-T2-1. My most recent visit to a Postal Service mail processing facility was in September 2005, to the Carol Stream IL plant. The main purpose was to observe bundle sorting operations, particularly the use of the APPS machine in that facility.

In February 2004 I visited the Morgan P&DC in New York. I mostly observed Tour 1 flats processing and the 035 mail prep operation.

In February 2003 I visited four mail processing plants as member of a joint USPS/Industry team to evaluate the feasibility of the concept of "node-based presort." The facilities visited were the DV Daniels NJ, Queens NY and Carol Stream IL ADC's and the Palatine IL SCF. Operations observed included AFSM-100, UFSM-1000 and manual flats sorting operations as well as mechanized and manual bundle sorting and bundle prep operations.

Prior to that, my records indicate that I visited the Santa Ana CA processing facility in June 2001 and the Long Beach CA facility in May 2001. Both visits focused on flats operations, particularly the AFSM-100.

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USPS/TW-T2-2. Please refer to page 11 of your testimony, where you discuss the 035 operation.

(a) On lines 8 to 9, you state, "But according to my calculations, only about 37.2% of Outside County flats encounter the 035 pool." Please explain your derivation of this estimate.

(b) On lines 12 to 13, you state, "Under this approach, very little of the 035 costs are attributed to carrier route presorted flats, since few of them encounter the 035 operation." Please estimate the percentage of carrier route flats that incur 035 costs in your model and explain the derivation of your estimate.

(c) On lines 13 to 15, you state, "Also, few non-machinable flats are likely to incur 035 costs, which helps reduce the cost differential between machinable and non-machinable flats." Please estimate the percentage of non-machinable flats that incur 035 costs in your model and explain the derivation of your estimate.

USPS/TW-T2-2.

a. The formula that calculates the average percent of Outside County flats encountering the 035 pool is in cell 'CRA ADJ UNIT COSTS'!O24 in spreadsheet FlatsModel.xls in TW LR-2. It is a weighted average of the percentages calculated for the seven presort/auto rate categories. Those estimates are in cells O17:O23 on the same worksheet. They are obtained from the worksheets containing the "model" for each rate category. For example, worksheet '5D NONAUTO MODEL' provides the information regarding 5-digit nonauto flats, etc.

Each of these seven model worksheets represents the flow of 10,000 pieces in the given rate category through AFSM-100, UFSM-1000 and manual flats sorting operations. On each sheet, cell R48 represents the number of pieces (out of 10,000) that are first sent to an AFSM-100 machine. Cell S48 similarly represents the number of pieces sent first to a UFSM-1000 machine and cell T48 the pieces that go directly to manual sorting. As explained in my testimony, I assume that only the pieces that are to be sorted on a machine will be subject to flats preparation. Dividing the sum of cells R48 and S48 on a given model worksheet by 10,000 gives the fraction of that rate category that receives 035 type preparation.

b. 1.68%, as shown in cell 'CRA ADJ UNIT COSTS'!O20 in spreadsheet FlatsModel.xls in TW LR-2. See part a of this interrogatory for an explanation of the methodology used.

c. I did not need to determine this percentage for the purposes of my testimony. However, it is easy to develop such an estimate using the same technique and assumptions as those described in part a above for all flats. I get an average of 18.74%. Note, however, that for non-machinable flats with 3-digit or basic presort, the percentage is much higher. My estimate is based on the assumption that non-machinable flats will incur 035 costs if and only if they are sent to a UFSM-1000 machine for sorting, whether or not they are subsequently diverted to a manual sorting operation.

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USPS/TW-T2-3. In your testimony from page 9, line 21, to page 10, line 3, you state, "The equivalent operation to the part of the 035 that involves removal of bundling material is typically performed by a manual sorting clerk and is incorporated in the recorded productivity rates for manual flat sorting."

(a) Assuming that your statement is true, please confirm that the manual flat sorting productivity figures would contain some costs (e.g., bundle opening costs) that would be incurred by flats that are only sorted manually, but which would not be incurred by flats that are processed in manual operations after being rejected by flat sorting machines. If you do not confirm, please explain.

(b) Did you make any attempt to modify the manual flat sorting productivity figures used to sort flat sorting machine rejects? If not, why not?

USPS/TW-T2-3.

a. Absent an actual study of this matter, I think it is better to not draw any conclusion as to whether what you suggest is true or not. Furthermore, I tend to believe the Postal Service has performed no such study.

Let me try to rephrase what I believe you are asking. Given: (1) bundled flats, still wrapped in the mailer prepared bundling material; and (2) miscellaneous loose flats in a flats tub from an AFSM-100 reject bin, which group of flats would a manual sorting clerk find easiest to sort?

In fact, one can make arguments both ways. On the one hand, when the sorting clerk picks up a mailer prepared flats bundle, he must of course remove the bundling material, or at least some of it, before he can start to distribute the individual flats. But once he has done that, he has a handful of flats of identical size and shape, with identical orientation and address labels that are in the same position on each flat. The flats may even be in ZIP code sequence which would further facilitate sorting them.

When the same clerk picks up a handful of flats from the tub that came from the reject bin, he does not have any bundling material to remove. But the flats he is holding in his hand are likely to be of different sizes and thicknesses, making them more difficult to handle, and have address labels in different positions and with different orientations,

making them more difficult to distribute, as he may need to reorient individual flats in order to read the addresses.

The question of which is fastest overall is somewhat similar to the question discussed in my response to USPS/TW-T2-4, namely whether bundled carrier route sorted flats are faster or slower for a carrier to sequence than unbundled flats that have come from previous sorting operations. In that case, IOCS data have repeatedly shown that the bundled flats are faster to sort. While withholding final judgment, I am inclined to believe the same may be true at upstream manual flats sorting operations.

b. No, because there does not appear to exist any empirical data on which to base such an adjustment, and because I tend to believe that the cost differential might just as well swing in the opposite direction from what your question appears to suggest.

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USPS/TW-T2-4. In your testimony on page 9, lines 12 to 14, you describe tasks associated with operation 035. On lines 18 to 19 of that same page you state, "Carrier route bundles and bundles of flats that will be sorted manually bypass that operation."

(a) Please confirm that the costs for some "prep" tasks that you described for non-carrier route flats would be incurred for carrier route presort flats when those bundles are processed by carriers at delivery units. If you do not confirm, please explain.

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

USPS/TW-T2-4.

a. I can confirm that it is my understanding that carrier route flats bundles are broken by carriers, not by mail processing personnel. In fact, this is also stated in footnote 6 in my testimony.

b. I think that depends on whether by "carrier" you refer to city carriers only, or whether you also include rural carriers. In any case, this is completely irrelevant to the question of how one should allocate mail processing costs among different categories of flats. The Periodicals rate design presented by witness Tang, and the alternative rate designs presented in this docket by witnesses Mitchell (TW-T-1) and Glick (MPA-T-2), all apportion mail processing costs among rate elements based on mail flow model results, while they rely on IOCS and carrier data to apportion delivery costs.

For example, in this docket, Tang's rate design uses per-piece delivery costs of 7.077 cents per piece for non-saturation carrier route presorted flats and 9.259 cents per piece for non-carrier route flats. She obtains those costs from witness Kelly. The cost differential, as I understand it, is based on IOCS Segment 6 costs for carrier route and other flats. Note that the carrier route costs include the costs of breaking bundles but are still lower overall. This has consistently been the case for many years. In other words, despite the extra time it takes to remove the bundling material on carrier route bundles, sequencing them in the carrier's case is still faster overall. I believe some of the reasons for this may be similar to those I described in my response to the preceding

interrogatory with regard to sorting in upstream operations. Another factor is that flats in carrier route bundles are required to be in carrier walk sequence, which makes sequencing them faster.¹

¹ There may be yet another reason, which I became aware of some years ago when observing carrier operations at a DDU. A carrier told me that after sequencing the same flats week after week and month after month, he ended up remembering who on his route were receiving different magazines, so that when for example distributing a bundle of Time magazine he would know even before looking at the addresses where each copy should go.

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USPS/TW-T2-5. In your testimony on pages 10 and 11 you propose a method “to distribute flats preparation costs in the 035 cost pool among rate categories.”

(a) 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 AFSM100: "Thus, it is anticipated that a total of 351 operation 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 AFSM100s (351/534) will have been retrofitted with the AI system. If you do not confirm, please explain.

(b) 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?

USPS/TW-T2-5.

a. I confirm your quote to McCrery's testimony and that 351/534 is approximately 66 percent.

b. Let me first point out that the fact that part of the 035 operation is being moved closer to the AFSM-100 confirms the conclusion I presented in my testimony, namely that the 035 costs are being incurred to facilitate the loading of flats into the flats sorting machines, that the operation would not exist if all flats were being sorted manually, and that these costs therefore should be attributed to the flats that receive machine sorting, not to the flats that are sorted manually or bypass sorting altogether. It is therefore inappropriate to characterize such costs as “fixed,” as witness Miller does, since the costs are very much affected by presorting as well as by flats machinability.

Second, according to LR-L-49, the FY06 and FY07 cost reductions expected from AI deployment add up to \$80.516 million. But the base year cost of the 035 operation,

according to Van-Ty-Smith's testimony, is \$254.106 million (USPS costing, not including piggyback costs). So even if all the AI related savings are applied to the 035 pool, most of those costs will still remain. Additionally, it is my understanding that some flats preparation costs are incurred not in the 035 cost pool but various other pools, such as opening units. And some AI related reductions in mail processing personnel costs are likely to be offset by higher piggyback costs (e.g., maintenance costs, capital costs) when the strictly manual 035 operation is replaced by a very high-tech operation such as the AI system.

Third, while witness Miller may have testified that the AI will not affect AFSM-100 staffing requirements, which would imply that all the cost reductions will be to 035 costs, that is not consistent with the description in LR-K-45, to which you refer. In fact, page 15 of that document describes reductions in AFSM-100 staffing requirements as well as savings in flats preparation costs. This must mean that only a portion and not all of the \$80 million cost reductions referred to above will be applied to the flats preparation pool.

Finally, with regard to the magnitude of the flats preparation costs in the test year, I simply used the Postal Service's (witness Smith's) estimate. The Postal Service's estimates of test year costs per cost pool are presumably adjusted for projected cost reductions as well as inflationary effects. If the Postal Service has a better estimate of what flats preparation costs for Periodicals flats will be in the test year, it should have presented that estimate in its filing, rather than the one actually presented by witness Smith.¹

¹ I understand that the Postal Service's roll-forward methodology may not always assign savings expected from a given cost reduction initiative precisely in the right proportion to the pools where the savings actually will occur. But the fact is that the Postal Service's filing in this case includes many different initiatives that if successful will reduce the costs in many different "pools." In the absence of any more specific information, I believe it is most appropriate to use the forecasted test year costs in each pool for the purpose of distributing mail processing costs among rate categories.

It is possible that the process of assigning test year costs per cost pool has credited to other pools savings (related to AI deployment) that in fact will occur in the 035 pool. But it is equally possible that parts of the savings from other initiatives, that will reduce the costs in other pools, may have been credited to the flats preparation pool.

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USPS/TW-T2-6. In your testimony on page 12, lines 15 to 17, you state, "Yet [witness] McCrery confirms that, in reality, about 44.7% of all non-carrier route flats are sorted manually in the incoming secondary."

(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/TW-T2-6.

a. The empirical basis for the 44.7% estimate was given by McCrery in his response to MPA/USPS-T42-1:

"In FY 2005, 44.7% of incoming secondary flats were finalized in manual operations in the field. The percentage is derived from flat volume of 13,188,243,000 pieces that received manual incoming secondary distribution in the field out of 29,501,658,000 total incoming secondary flat volumes. Source: MODS and FLASH reports."

In other words, MODS and the FLASH reports quoted by McCrery are the empirical basis for his answer. I don't know in which sense you would have expected me to "evaluate" this empirical basis, but I can offer the following, which might at least be seen as a test of reasonableness.

Assume that it is true that there were 29.5 billion flats requiring incoming secondary flats sorting in FY2005. According to the MODS data provided by witness Bozzo, the counts of total pieces handled (TPH) at AFSM-100 and UFSM incoming secondary and box section operations totaled 16.269 billion. Subtracting that from 29.502 billion gives 13.233 billion, or a little more than the 13.188 billion McCrery says were finalized manually.¹

¹ See Response of United States Postal Service Witness Bozzo to interrogatory of Time Warner Inc. (Tw/Usps-T11-1b-c), Redirected from Witness Van-Ty-Smith (June 15, 2006).

I am not really familiar with the FLASH reports, but I understand they provide the Postal Service with a way of assessing volumes processed in its delivery units as well as the plants. Since I do not have the FLASH report data I obviously cannot "evaluate" it.

The other part of McCrery's answer for which one might seek independent verification is whether there really were 29.5 billion flats receiving incoming secondary sorting in FY2005. The Standard model in LR-L-43 shows a little over 14 billion Standard regular flats. The remaining 15 billion must then come from all other subclasses combined. I find this reasonable, but I obviously cannot provide a complete verification.

b. it is my understanding that McCrery's estimate refers to all flats that receive incoming secondary sorting, whether or not those flats are modeled in LR-L-43. However, the dominant flats category is Standard flats. As mentioned above, there are a little over 14 billion non-carrier route Standard flats, all of which do require incoming secondary flats sorting. Standard flats are less likely than Periodicals flats to be sent to manual incoming secondary sorting because (1) they are more likely to be machinable, and (2) there is not the same service issue which often causes Periodicals and First Class flats to be sent to manual sorting. If Standard flats cannot be machine sorted on the night they arrive, due to time or capacity constraints, they will simply be held till the following day and sorted then, while Periodicals flats in the same situation are more likely to be sorted manually.

I have performed a further test to verify the reasonableness of my assumptions. Let us assume again that, as McCrery indicates, there were 29.5 billion flats requiring incoming secondary sorting in FY2005. From the FY2005 billing determinants, there were 4.527 billion non-carrier route Periodicals. Subtracting the roughly 100 million that were letter shaped, I estimated that Periodicals flats must be about 15.24% of all the flats that require incoming secondary distribution. Assuming some breakage of carrier route bundles, the percentage could be a little larger.

If it could be shown that about 15 or 16 percent of the flats receiving incoming secondary sorting on AFSM or UFSM machines are Periodicals, then it would mean that Periodicals are about as likely as average flats to be machine sorted in the

incoming secondary. It would also mean that they have an average chance of being diverted to manual sorting, i.e., about 44.7% according to McCrery. If, on the other hand, fewer than 15% of AFSM/UFSM sorted flats are Periodicals, that would mean Periodicals flats are more likely than the average (i.e., more than 44.7%) to be manually sorted.

As a rough test I obtained a count of those direct IOCS tallies in the AFSM cost pool whose MODS numbers correspond to incoming secondary or box section operations.

Table 1 shows the count of these tallies by subclass.

Subclass	FY2005 tallies	Percent
Return receipt	1	0.04%
First Class	690	29.75%
Periodicals	343	14.79%
Standard ECR	49	2.11%
Standard Regular	1162	50.11%
International	5	0.22%
Priority	13	0.56%
Parcel Post	5	0.22%
Media mail	2	0.09%
BPM	19	0.82%
USPS	28	1.21%
Free for the blind	2	0.09%
Total	2319	100.00%

If there is a direct correspondence between direct tallies and volume sorted, then the table would indicate that there were slightly fewer Periodicals flats sorted on the machines than expected based on Periodicals' share of the total flats volume. In other words, slightly more than 44.7% of Periodicals flats receive manual incoming secondary.²

In reality, however, productivity rates are not the same for all flats. If Periodicals flats, due to their higher weight, are sorted with lower productivity, as I tend to assume, then

² I performed a similar test for incoming secondary sorting on the UFSM-1000 machines. In that case, Periodicals accounted for 17.3% of the direct tallies. But given that less than one billion flats received incoming secondary on UFSM-1000 machines, versus over 15 billion of AFSM-100, it remains true that Periodicals flats receive less incoming secondary machine sorting than their volume would indicate.

fewer Periodicals flats would have been sorted by machine, and therefore more by hand, than the percentages in the above table indicate.

In any case, it is clear that Periodicals flats are at least as likely as the average flat to receive manual incoming secondary sorting, i.e., at least 44.7%.

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USPS/TW-T2-7. In your testimony on page 13, lines 15 to 18, you state, "For each flat that would be flowed, based on all the model's other decision rules, to an incoming secondary sorting by a machine, I assume that it has an 85% chance of actually being machine sorted, while the remaining 15% will be manually sorted." Refer also to your testimony on lines 23 and 24 of that page. Please confirm that the sole reason you set the figures at those levels was in order to achieve a model result in which the percentage of non-carrier route flats receiving manual incoming secondary sorts would be 40%, rather than the lower figure in witness Miller's model. If you do not confirm, please provide all other reasons why you set the figures at those levels.

USPS/TW-T2-7. I arranged the model in such a way that the 85% figure can readily be changed. The Commission may for example conclude that it believes the Postal Service will be able to reduce the percent of Periodicals flats that receive manual incoming secondary sort further, in which case it can adjust the 85% accordingly. Note, however, that even if the percentage is set to 100, my model will show 29.9% of incoming flats secondary sorting being done manually. Furthermore, 100% is not a realistic assumption, because a certain portion of flats go to low-volume zones with only a few carrier routes and for such zones incoming secondary is always done manually.

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USPS/TW-T2-8. In your testimony on page 13, lines 15 to 18, you state, "For each flat that would be flowed, based on all the model's other decision rules, to an incoming secondary sorting by a machine, I assume that it has an 85% change of actually being machine sorted, while the remaining 15% will be manually sorted."

(a) Please confirm that witness Miller discussed the reasons why his model did not include incoming secondary factors in his responses to MPA/USPS-T20-1(e), MPA/USPS-T20-5, and TW/USPS-T20-11. 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/TW-T2-8.

a. Confirmed

b. Yes, I did analyze Miller's "reasons," expressed in various interrogatory responses. Miller makes the case that his R2001-1 model was in need of updating, that mail processing flows are more complex than before and that he did not have perfect data. But he does not, in my opinion, provide any justification for the modeling approach he chose in this docket, namely to pretend that Periodicals flats are always sorted by machine, subject only to coverage constraints. With the modeling assumptions he chose, his Standard model shows 85% of Standard regular (Non-ECR) flats and 80% of Periodicals non-carrier route flats being finalized by machine in the incoming secondary sort. Response to TW/USPS-T20-10: Tr. 281. That would only be possible if no flats were ever diverted to manual sorting due to capacity limits or service concerns, and if the facilities that have flats sorting machines always used them to sort to even very small zones with just a few carrier routes. That is not a realistic scenario.

Given a modeling task where the available data are not perfect (they hardly ever are), someone charged with producing a mail flow model to be used as a guide for rate setting still has an obligation to strive to find the best solution possible with the available data. The Postal Service witnesses who produce such models always rely on some unverified assumptions and on some old data that are unlikely to remain completely

accurate. In this case, Miller's stumbling block appears to have been that although he knew many flats are sorted manually that in theory could have been sorted by machine, he did not know the exact percentage that applies to Periodicals flats, nor the precise percentage that applies to Standard. He chose not to even try to produce an accurate model, assuming instead all such flats are sorted by machine, even though that is impossible.

In his response to MPA/USPS-T20-1(e), Miller cited four reasons, some of which he elaborated on in the later responses you refer to, to justify his modeling approach in this docket, particularly the elimination of any "incoming secondary factors." Witness Glick (MPA-T-2) has offered comments on the same four "reasons" in response to a similar interrogatory. While I generally concur with Glick's responses, some additional comments are offered below.

Reason 1: Miller "did not have sufficient data." From his later comments it appears that what he means is that he did not know the precise percentage of Periodicals flats that receive manual incoming secondary. When confronted with the 44.7% average for all flats that had been calculated by McCrery, Miller argued that he could not use that information since he did not know the percentage that would apply to Periodicals.

But what Miller seems to be saying is that knowing the average was 44.7% for all flats, but not having any class specific information, he chose to believe it was 20% for Periodicals flats and 15% for Standard regular, the two categories that together make up almost two thirds of the total non-carrier flats volume.

It would have made more sense for Miller, lacking any other information, to assume that the system wide average of 44.7% applied to each class.¹ That, after all, is the type of assumption he, and other witnesses, make about many other data that are available only on an aggregate basis. For example, his model includes machine reject rates that are averages over all flats. It is unlikely that those rates are the same for all types of

¹ Or, Miller could have assumed a somewhat lower figure, as I did, reflecting a belief that the Postal Service, in the test year, will have managed to increase the volume of flats it sorts by machine.

flats or for all classes of flats. Similarly, the MODS based productivity rates he uses for AFSM-100, UFSM-1000, manual flats sorting, SPBS and APPS bundle sorting are all aggregate measures that may not be accurate for any particular class.² For example, it is quite likely that the generally lighter Standard flats are sorted with greater average productivity than the heavier Periodicals flats. Yet only when it comes to the question of how many flats are diverted to manual sorting does the lack of class specific information seem to inhibit Mr. Miller.

Reason 2: The data “could not be accurately applied.” Miller appears to be saying that even if he had all the class specific information he says he needs, building a model that reflects it is just too complicated. For example, he mentions the fact that the strategy for use of the UFSM “has evolved” as a complicating factor.

It certainly is true that the flow of flats mail through the postal system has become more and more complex, with an increasing number of possible flow-paths and technological options. The UFSM, in particular, has undergone several transformations since Docket No. R2001-1. Today it is used mostly as a backup to the AFSM-100, processing flats that could have been sorted on the faster machine, but it also incorporates a manual feed/manual keying option for non-machinable flats.

This increased complexity represents a greater challenge to the model builder, but is no reason not to try to build an accurate model. My testimony describes a number of changes I made to Miller’s model, including the treatment of the UFSM-1000 machines, to make the model correspond more closely to the way flats actually are processed in postal facilities.

² MODS provides no class specific information. That sorting productivity tends to be lower for heavier flats is certainly true in manual operations, where the extra thickness fills up the flats cases more quickly, requiring more frequent “sweeps” of those cases. I have also been told by AFSM-100 supervisors that when large numbers of heavier flats (e.g., Periodicals) are being loaded into the machines, productivity tends to go down.

Reason 3: “Such factors were affected by issues unrelated to mailer pre-barcoding and presorting efforts (e.g., whether or not a given ZIP Code was processed on automation/mechanization).”

This argument frankly makes no sense. The Postal Service’s system of facilities and equipment, along with its procedures for using those assets (e.g., to how many ZIP codes sorting is done by machine) define the environment that determines the costs of different types of mail. Were the Postal Service to devote all its machine resources to other mail classes, while sorting Periodical flats manually, it would greatly affect Periodicals costs as measured by existing costing systems. The purpose Miller’s model was supposed to serve was to determine the costs different rate categories of flats would incur under the operating environment expected to exist in the test year.

Reason 4: “They did not have a significant impact on a pre-barcoding and/or presorting cost differences by rate category, which was the purpose for which my cost models were developed.”

This argument is patently false, as shown by Glick in his response, and I see no need to address it any further.

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USPS/TW-T2-9. In your testimony on page 20, lines 5 to 6, you state, "For manual sorting of bundles on pallets, the pallet is stationary, i.e., there is no pallet dumping." Please confirm that some manual operations consist of employees manually sorting bundles from conveyor belts, onto which containers, including pallets, have been dumped. If you do not confirm, please explain.

USPS/TW-T2-9. I agree that what you describe may happen. I don't think it is typical and I tried to model what typically happens. It has been my impression that when it comes to sorting of carrier route bundles off of 5-digit pallets, which typically happens at the DDU, the sorting is always done directly from the pallet. It makes sense to do so, because many mailers place the bundles on the pallet in carrier route order which makes the distribution to individual carriers easier.