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

Rate Adjustment due to Extraordinary or Exceptional Circumstances	))	Docket No. R2010-4

VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
SUGGESTED QUESTIONS TO BE ASKED OF THE POSTAL SERVICE'S
FLATS STRATEGY WITNESS DURING PUBLIC HEARING
(August 5, 2010)

Pursuant to Order No. 485 (July 8, 2010), Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. ("Valpak") submit the following suggested questions to be asked of a Postal Service witness on the Flats Strategy.

BACKGROUND

On August 3, 2010, the Presiding Officer issued a schedule for hearings in this docket, including a requirement that the "Postal Service shall also identify a responsible official capable of responding to questions concerning its Flats Strategy and shall present that individual for questioning by the Commission at either the August 11 or 12, 2010 hearing." POR No. R2010-4/3.

The questions below relate to Library Reference USPS-R2010-4/9 (entitled "Flats Strategy") a/k/a "Operations Plans for Flats" (per the Commission website) a/k/a "Operations Strategies for Capturing Flats Efficiencies" (per James Keifer testimony, p. 32).

QUESTIONS

A. The following questions pertain to Transportation initiatives discussed at pages 2-3.

1. For each of the various initiatives discussed under Transportation,

- Improving Handling Unit/Container Density;
- Eliminate Periodical and Standard Mail Flown;
- Transportation Utilization; and
- Network Optimization,

please explain whether any of them is expected to reduce the cost of flats disproportionately to the cost of letters and parcels, vis-a-vis the relative volume of each shape handled and transported.

2. a. With respect to the "Do Not Fly" effort (p. 2), please explain whether the reference is to commercial air, network air (contracted for with FedEx, UPS, and any other cargo carrier), or both.

   b. What percent of Standard Mail currently being flown is letters, and what percent is flats?

   c. For Periodical mail and Standard Mail that is being flown, what percent is flown on commercial air, and what percent is flown on network air.

   d. When Periodicals and Standard Mail are flown on network air (as filler for pre-contracted capacity that otherwise would not be utilized), are transportation costs for those two "filler" products attributed on the basis of what surface transportation would cost, or is network air cost attributed to those filler products pro rata (with First-Class Mail, Priority Mail, and Express Mail) on the basis of air network transportation costs?

   e. If costs of network air are attributed to Periodicals and Standard Mail on the basis of surface transportation cost, please explain how removing such mail from network air transportation will reduce the attributable cost of flats.

3. The discussion under Transportation Utilization (p. 2) says that "the goal is to maximize cube utilization," and it explains that "current MTE design is focused on easy trailer loading and unloading," which would help minimize the labor cost of loading and unloading.

   a. Should not the goal be to minimize total systemwide costs, including all related labor costs as well as transportation costs?

   b. Please explain why your goal of maximizing cube utilization is always consistent and synonymous with minimizing systemwide costs.

   c. Please explain why bed loading, which tends to be somewhat labor intensive (and hence costly), is always consistent and synonymous with minimizing systemwide costs.

   d. Please discuss whether trade-offs commonly exist with respect to (i) transportation costs and (ii) labor costs of loading and unloading, as well as other labor costs such as crews waiting for trucks to arrive if delayed for loading at originating locations.

B. The following questions pertain to Mail Processing initiatives discussed at pages 3-8.

1. For each of the following initiatives discussed under Mail Processing,

   - Facility Optimization;
   - Material Handling;
   - Use IMb data to determine letters processed on flat sorting equipment;
   - Electronic Condition-Based Maintenance;
   - Distribution Compression;
   - Realign operating and transportation plan to improve utilization; and
   - Redefine work methods to improve BMEU/Plant load handoff to mail processing,

please explain whether any of the above initiatives is expected to reduce the cost of flats disproportionately to the cost of letters and parcels, vis-a-vis the relative volume of each shape handled, *i.e.*, as opposed to being part of a general systemwide effort to reduce costs.

2. Under Future FSS enhancements and processing modes, the discussion says that "A new high-speed feeder is being pursued along with the potential of **every-other-day sequencing**." (P. 4, emphasis added.) Please explain whether every-other-day sequencing is expected to lead to every-other-day delivery (and concomitant cost reductions).

3. Please explain how the initiative to remove letters processed on flat sorting equipment is expected to reduce the attributable cost of handling flats. (P. 5)

4. Under the initiative "Automated Flats Forwarding," (p. 5) is the plan to (i) intercept undeliverable as addressed ("UAA") Standard Flats en route passively, (ii) utilize high speed automated equipment to apply new address labels, and (iii) redirect UAA Standard Flats to the address on record?

   a. If that is not the plan for dealing with Standard Flats under this initiative, please explain what is the plan.

   b. If that is the plan, please explain how such redirection of UAA Standard flats will reduce their attributable cost in comparison to simply (i) discarding them when intercepted, or (ii) having carriers discard them when they arrive at the carrier unit of the address on the flat.

c. As between UAA Periodicals and UAA Standard Flats, UAA Periodicals would represent what percent of such mail?

5. Under the initiative "Utilize a single Incoming Secondary run for all flats" (p. 5), the discussion notes that "this process reduces the ability to curtail Standard Mail on heavy volume days at delivery units." Please discuss the extent to which this initiative might adversely affect service performance standards for First-Class Mail and Periodicals, especially on heavy volume days.

6. Please refer to the initiative "Refine work methods to improve Business Mail Entry Unit (BMEU)/Plant load handoff to mail processing" (p. 7).

a. Please provide a clearer explanation of how this initiative will reduce the attributable costs of handling flats.

b. Does this initiative focus on reducing the attributable cost of flats, or is it equally applicable to letters?

c. Please provide a ballpark estimate of the extent to which this initiative might be expected to reduce the unit attributable cost of handling flats — *e.g.*, 1 to 2 percent; 3 to 5 percent; etc.

C. The following questions pertain to Post Office and Delivery Operations initiatives discussed at pages 8-10.

1. Please refer to the "Business Plan Staffing and Scheduling Reviews" initiative (p. 8), and explain how it will reduce the attributable cost of handling flats.

2. Please refer to the initiative "Shifting distribution from Post Office Operations (Function 4) to Mail Processing Operations (Function 1)". The discussion under this

initiative states that "For example, given the dramatic volume declines, Post Office operations and mail processing equipment utilization can be better optimized when mail processing facilities absorb **letter-sorting processing** from Post Office Operations facilities." (P. 8, emphasis added.) Please provide a detailed explanation of how and why having mail processing facilities absorb letter-sorting processing from Post Office Operations will reduce the attributable cost of handling flats.

a. Please discuss the extent to which letter-sorting processing still occurs in Post Offices, as opposed to mail processing facilities.

b. Please provide a ballpark estimate of the quantitative effect — *i.e.*, having mail processing facilities absorb letter-sorting processing from Post Office Operations is expected to reduce the unit attributable cost of handling flats approximately how much — *e.g.*, 1 to 2 percent; or 3 to 5 percent; etc.

3. Please refer to the initiative Customer Service Unit Optimization (pp. 8-9).

a. To what extent do costs that might be saved from "consolidation … into larger facilities" consist of unattributed overhead costs, and to what extent are they attributed costs?

b. Please explain both how — as well as by how much — this initiative is expected to reduce the unit attributable cost of flats.

4. Please refer to the initiative "Route Adjustments joint Alternate Route Assessment Process (JARAP)/Carrier optimal Routing (COR)" (p. 9).

a. In the most recent CRA, what percent of carrier street time costs were attributed?

b. When routes are adjusted, consolidated and eliminated, as described in the discussion of this initiative, are the reductions in labor costs, such as time to travel to and from the route, primarily unattributed overhead costs? Or are they mostly costs that were attributed.

5. Please refer to the initiative "Facility Optimization" (p. 10).

a. Explain how this initiative will reduce the unit attributable cost of flats.

b. Explain whether savings in attributable cost from this initiative will have a disproportionate effect on flats, or be spread pro rata across all shapes more or less in proportion to volume.

Respectfully submitted,

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William J. Olson
John S. Miles
Jeremiah L. Morgan
WILLIAM J. OLSON, P.C.
370 Maple Avenue West, Suite 4
Vienna, Virginia 22180-5615
(703) 356-5070

Counsel for:
Valpak Direct Marketing Systems, Inc.
Valpak Dealers' Association