

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268

Priorities for Future Data Collection
and Analytical Work Relating to
Periodic Reporting

Docket No. RM2011-3

**SUBJECTS PROPOSED BY TIME INC. FOR STRATEGIC RULEMAKING
PURSUANT TO ORDER NO. 589**
(February 18, 2011)

In Order No. 589, Notice And Order of Proposed Rulemaking on Periodic Reporting (issued November 18, 2010), the Commission instituted in this docket its "first strategic rulemaking" for the purpose of "develop[ing] an inventory of longer-term data collection and analysis needs, comprehensively evaluat[ing] these needs, and devis[ing] a plan for meeting these needs." Order No. 589 at 2. The Order invites commenters by today's date to "propose areas of research that they think are needed," and it attaches a "list of possible candidates," observing that there are also a number of "narrower cost and revenue estimation issues that have been identified in the Commission's recent Annual Compliance Determinations and not yet resolved.

Time Inc. believes that the following subject areas need to be addressed and might suitably be included as topics under Docket No. RM2011-3. These are not new subjects. They have been raised in our comments or the comments of our postal consultant, Halstein Stralberg, in recent ACR dockets and in other Commission proceedings.

1. Volume variability of the costs of mail processing and other postal functions.

See Reply Comments of Time Inc. on USPS FY 2010 Annual Compliance Report (filed February 17, 2011), at 3-7, for a further discussion of why this issue, which has received little attention under PAEA, needs to be addressed further by the Commission, the Postal Service and mailers. Specific issues include:

- Long run versus short run variability, the role of each in postal costing and decision making.
- What can be learned about volume variability from the recent very large drop in some postal volumes, the Postal Service's response to it, and the anomalous rise in unit costs of some products?
- Is there still a proper role for econometric models in determining volume variability, and if so what is that role?
- Does not the conclusion expressed by Mr. Corbett in Docket No. R2010-4 that, even though Periodicals revenues at this time are much less than the attributed cost, the Postal Service would still be worse off if it were to lose additional Periodicals volume, mean that the true marginal costs of Periodicals must be lower than the attributed costs indicate?

2. Opportunities for better understanding of Periodicals costs using a more refined (by cost pool groups) CRA adjustment

Stralberg's Docket No. ACR2010 comments¹ as well as his earlier comments in Docket RM2008-2² suggested that a more refined use of the CRA adjustment could provide additional insights into the costs of Periodicals, including the proper separation of costs between piece sorting and the handling of bundles, sacks and pallets. He

¹ Initial Comments of Time Inc. on the USPS FY 2010 Annual Compliance Report (filed February 2, 2011), Addendum, Comments On The Postal Service's ACR2010 Filing, by Halstein Stralberg.

² Docket No. RM2008-2, Initial Comments of Time Warner Inc. in Response to Order No. 99 (filed September 8, 2008), Addendum: Recommendations for Improving the Periodicals Class.

suggests as a tentative conclusion that the current Periodicals model may slightly overstate the costs of bundles, sacks and pallets, while understating piece sorting costs and therefore also understating cost avoidances produced by presorting.

The Postal Service has indicated its disagreement with these conclusions, but we believe the subjects warrants further analysis. The topic could be extended to address not only Periodicals costs but also costs of other classes where some form of CRA adjustments are used. It would likely include examination of the IOCS tallies underlying the attribution of costs in the various cost pools.

3. Develop new productivity data for the handling of sacks and pallets in modern postal facilities

As noted by Stralberg in his ACR 2010 comments, as well as Time Warner's comments in several previous dockets, many of the productivity rates for sack and pallet handling used in the Periodicals model are quite old, and were collected mostly at BMC's that looked very different from what those facilities do today. They also are unlikely to reflect the actual productivity rates achieved at small facilities, e.g., DDUs.

Development of updated container productivity data would appear a suitable undertaking under this docket.

4. Determine the proper criteria for flats machinability, on AFSM 100 as well as in FSS processing

As discussed in Stralberg's ACR 2010 comments, it needs to be determined what the machinability criteria for flats are on both types of machines. Stralberg also points out problems that occur because Periodicals flats with 5-digit presort are allowed to pay machinable rates even though they in fact are not machinable, at least on AFSM 100 machines

This topic might include determining how many 5-digit flats, with or without barcodes, really are AFSM 100 machinable, since it would appear this cannot be determined from billing determinants.

5. Determine all the reasons why even machinable flats often end up being processed manually in the incoming secondary function and steps that can be taken to avoid this, by mailers as well as the Postal Service.

This subject has been discussed extensively, yet there seems to be little agreement, either about the extent to which manual diversion occurs, or the reasons it occurs or how to effectively stop it.

A particular issue to be addressed here is the degree to which inability of flats bundles to get sorted on APPS machines during critical hours, because those machines are fully reserved for Priority mail processing at that time, has the effect of causing Periodicals and other flats to be diverted to manual sorting.

Respectfully submitted,

s/ _____
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