

Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Mail Processing Network :
Rationalization Service : Docket No. N2012-1
Changes, 2012 :

GREETING CARD ASSOCIATION INTERROGATORIES TO
POSTAL SERVICE WITNESS SMITH

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, the Greeting Card Association herewith submits interrogatories and requests for production of documents; specifically:

Interrogatories to Postal Service witness Smith:

GCA/USPS-T9-1 to -13

The term "documents" includes, without limitation, letters, telegrams, memoranda, reports, studies, articles from periodicals, speeches, testimonies, books, pamphlets, tabulations, and workpapers. In terms of format, "documents" includes written or printed records and disks, tapes, or other recorded media (together with such written material as is necessary to understand and use such disks, tapes, or other media). If necessary, an interrogatory may be redirected to another witness, or to the Postal Service, in the interest of a complete and accurate response.

February 23, 2012

Respectfully submitted,

GREETING CARD ASSOCIATION

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GCA/USPS-T9-1

On page 4, lines 13-15, of your prefiled testimony, you state that plant and equipment capacity cannot be adjusted for various workload fluctuations as a result of automating the mail processing network.

Please confirm that, before the advent of OCRs and BCSs (including DBCS), MPLSMs could not be adjusted for workload fluctuations, so that the capital to labor ratio per machine was essentially fixed. If you do not confirm, please explain why the workload fluctuation situation was different for MPLSMs as compared with OCRs and BCSs.

GCA/USPS-T9-2

(a) What percentage of the Postal Service's automation equipment is owned by the Postal Service, and what percentage is leased? Please show the applicable percentage separately for each type of automation equipment.

(b) For any contractual leasing arrangements with automation equipment suppliers, what is the structure of the lease terms? For example, are any based on a "click rate", where the capital costs vary directly with the volume being processed? Please list and describe each applicable lease term structure.

GCA/USPS-T9-3

(a) For Postal Service-owned automation equipment, what percentage of the total current stock has been fully paid for?

(b) At what rate are DBCSs depreciated, and what are the remaining years and payment amounts due on DPS equipment that has not been fully depreciated?

GCA/USPS-T9-4

(a) What is the age composition of all 5,916 DBCSs (as of mid-year FY2010)?

(b) What is the cost and frequency of routine maintenance annually per machine for DBCSs (e.g. replacing belts, repairing or upgrading barcode scanners, repairing or adding software and related computer systems maintenance work, etc.)?

GCA/USPS-T9-5

On page 2 of your testimony, lines 10 and 11, you discuss “replacement of Carrier Sequence Barcode Sorter (CSBCS) with more efficient sortation and additional letter automated sorting (incoming secondary and delivery point sequencing (DPS)).” On page 13, lines 12 and 13, you cite witness Rosenberg to the effect that the current (FY2010 mid-year total) number of DBCS is 5,916, and would be reduced to 3,165 with the new network.

(a) Are all of the 5,916 pieces of equipment newly purchased automation machinery that is designed only or primarily for DPS sorts? Or, can such equipment do other sort schemes?

(b) Are any of the 5,916 pieces of equipment older, existing automation machinery that has been converted to DPS through adding DPS sort schemes and stacker bins to older automation equipment?

GCA/USPS-T9-6

On page 13 lines 8-11 of your testimony you state that DBCS “account for about one-third of these equipment related costs” “\$119 million for depreciation” “\$631 million for maintenance labor” “and \$58 million for parts and supplies.”

(a) What mail processing equipment other than DBCS is depreciated at \$793 million minus the \$119 million for DBCS? Please be specific, by type of equipment and depreciation cost for each type.

(b) What mail processing equipment other than DBCS has maintenance labor of \$1,371 million minus the \$631 million for DBCS? Please be specific, by type of equipment and maintenance labor cost for each type.

(c) What mail processing equipment other than DBCS has parts and supplies costs of \$194 million minus the \$58 million for DBCS? Please be specific, by type of equipment and parts and supplies cost for each type.

(d) What portion of the equipment that is not DBCS has been sold or discarded completely, and not put to any other use at the Postal Service?

(e) What portion of the equipment that is not DBCS is still in operation as of FY2010 mid-year, FY 2011 mid-year and FY 2012 mid-year (approximated)?

GCA/USPS-T9-7

On page 16 lines 9-12 you state that keeping current service standards would require “more equipment, such as DBCSs”.

(a) Since First-Class Letter Mail (FCLM) volumes are continuing to fall, why would more than the 5,916 DBCSs (as of mid-year FY2010) be needed? Please explain your answer fully.

(b) At lines 2-3 you state “the Postal Service is likely keeping the newer DBCSs”. What are the older DBCSs that it may discard, and are these older BCS that were retrofitted to perform DPS?

(c) Why would it take 5,916 DBCSs (or more) to replace 3,700 CSBCSs when the throughput of each DBCS is substantially greater than a CSBCS?

(d) Why under the new network would it take 3,165 DBCSs to replace 3,700 CSBCSs, when the capacity of the former is much greater than the latter (i.e. throughput per hour and number of bins)?

GCA/USPS-T9-8

Regarding your statement from page 20, line 20 – page 21, line 2:

(a) Why would the Postal Service use the \$327 million of “net revenue” from vacating 93 buildings to make “capital investments for postal plant, equipment or vehicles, earning at least a 10 percent annual return”?

(b) Would not the combined impact of falling postal volumes and large annual deficits lead USPS to forego any such investments, regardless of whether it was new investment or replacement investment?

(c) To what extent would the above-cited \$327 million of net revenue from vacating 93 buildings be used to make capital investment primarily or exclusively serving (i) flat-shaped mail (regardless of class), (ii) parcel-shaped mail (regardless of class), (iii) package services, whether market-dominant or competitive, and/or (iv) products in the competitive sector, subject to 39 U.S.C. § 3631 et seq.?

GCA/USPS-T9-9

On page 24, lines 12-13, you state “there are 2,072 zones not being sorted to the finest depth of sort and placed in DPS.”

(a) What is the frequency of each of the following characteristics among the 2,072 zones:

- (i) urban 5 digit ZIP codes?
- (ii) rural 5 digit ZIP codes?

(b) (i) What is the total annual volume of letters for the 2,072 zones?

(ii) What is the geographic distribution of the 2,072, by region and by state?

(c) How many zones as you define them above are there in the country?

(d) What is the percentage of all FCLM that is now delivery point sequenced (DPS)?

GCA/USPS-T9-10

(a) Please refer to your comment on page 24, lines 6-9. Why can't manual letters be moved into automation operations now rather than being sent to a separate facility for manual letters, flats and parcels?

(b) Short of ending overnight delivery for all Single-Piece FCLM, what changes would have to be made that allowed manual letters to be sent directly into automation operations, (thus ending overnight delivery only for manual letters)?

GCA/USPS-T9-11

The Postal Service OIG reported in June of 2006 (Report Number NO – AR – 06 -005, page 2) that “the Postal Service placed over 3,700 CSBCSs in its facilities to increase overall mail processing capacity nationwide in anticipation of increased letter mail volume. Unfortunately, the entire growth of projected letter mail volume did not occur.”

(a) What was the financial loss to the Postal Service of that excess capacity it created in CSBCSs?

(b) How many CSBCSs have been replaced by DBCS equipment?

(c) Please explain fully why the number of DBCSs purchased does not represent substantial excess capacity, in light of the experience with DPS on CSBCS equipment, as reported by the OIG.

GCA/USPS-T9-12

(a) Please confirm that the throughput of CSBCS is about 19,000 letters per hour, and is about 39,000 letters per hour for DBCS. If you do not confirm, please give the throughput figures you consider correct and explain the reason(s) for the difference.

(b) Can DBCS equipment be created by retrofitting older automation equipment that has multiple stacks?

(c) If purchased new, what is the respective cost of a DBCS and CSBCS? Assume for purposes of answering this question that CSBCS equipment has 12-25 bins, and DBCS has between 190-238 bins.

GCA/USPS-T9-13

(a) As the transition of mail processing using CSBCS in associate offices to using DBCS at P & DCs, how many entirely new DBCSs have been purchased and how many DBCS stacker bins only have been moved from other plants?

(b) To what automation machinery were the stacker bins attached before being moved to a P & DC?

(c) To what automation machinery are the stacker bins moved into a P & DC attached?