

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 BRADLEY

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 Bradley:

GCA/USPS-T10-1 to -12

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 24, 2012

Respectfully submitted,

GREETING CARD ASSOCIATION

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GCA/USPS-T10-1

You state in your testimony at page 2, lines 9-10, that you assume constant volumes in order to calculate your cost savings.

(a) Please confirm that this approach would be most viable in a steady state condition as regards volume. If you do not confirm, please explain why.

(b) Please confirm that your estimates using this approach would understate “full up” savings in a growing volume environment. If you do not confirm, please explain why.

(c) Please confirm that by the time a full up new network as proposed is configured, volumes will be lower than those reflected in your steady state assumption. If you do not confirm, please explain why.

(d) Using the Postal Service’s latest forecasts for First-Class Letter Mail (FCLM) volume 3 years and 5 years out, by how much would your estimated cost savings change, ceteris paribus?

(e) Suppose USPS volume forecasts for FCLM referred to in (d) are each 25% too optimistic. By how much would that change your answer in (d) 3 years out and 5 years out, compared to the steady state volume estimates in your testimony?

GCA/USPS-T10-2

(a) Did your labor cost savings estimates for mail processing take into account the possibility that labor displaced by the changes contemplated in this case would be reassigned, possibly in unproductive or less productive capacities? If so, how, and if not, why not?

(b) Please confirm that in the history of letter mail automation, reviews by the GAO reported (i) reassignment of displaced mail processing labor in substantially the same fashion referred to in (a), and (ii) related diminution in savings from the automation effort. If you do not confirm, please explain why.

(c) Did your labor cost savings estimates for mail processing take into account current agreements and memoranda of understanding with labor unions that might impact your full up savings? If so, how, and if not, why not?

GCA/USPS-T10-3

Not later than June of 2006, the Postal Service OIG concluded that its investment in 3,700 CSBCS was a mistake, predicated on volume growth in FCLM that did not materialize. (USPS, OIG, Report Number AR – 06 – 005, p. 2). Would your costing approach that assumes constant volumes, if conducted before the purchase and operation of CSBCS, have concluded that the purchase was not sound financially? Please explain your answer fully.

GCA/USPS-T10-4

You state on page 2, lines 10 and 11, that “[t]his approach is essential to avoid confounding two potential sources of cost changes, the change in service standards and volume reductions.”

(a) Would you agree that the pressing need to reduce the Postal Service’s growing annual deficits is the major driving factor behind proposals and supporting expert testimony in this case and in the N2010-1 case? If your answer is not an unqualified "yes," please explain fully; and, to the extent it is negative, please explain what more important goal is being pursued in this case.

(b) If you answered (a) in the affirmative, would you agree that by the time full up cost savings from the new network is achieved, FCLM volume is very likely to be somewhat lower than the steady state FY2010 volume used for your analysis?

(c) If you answered (b) in the affirmative, would you agree that your estimates of cost savings would be different because in moving to a full up new network, FCLM volumes would be lower than you assumed? Please explain any negative answer.

(d) Is it your understanding, from other witnesses in this case whom you relied on in your own research, that the size proposed for the new network does not incorporate forecasts of volume declines by the time the new network is fully operational? Please fully explain your answer.

GCA/USPS-T10-5

On page 3, lines 6-7, you note that the ACD process “is focused on product costing, not operational costing”. Since the network changes proposed in this case appear to be almost exclusively related to FCLM, a single product, why can’t the ACD capture all the operational changes you would need for your calculations? Please explain your answer fully.

GCA/USPS-T10-6

On page 6, lines 8-9, you give a couple of examples of the mail processing technology that will be affected by the new network. Besides DBCS and Cancelling, are there any other mail processing technologies that affect FCLM that will be impacted? If so, please describe them.

GCA/USPS-T10-7

On page 10, Table 1, you calculate cost savings from the workload transfer contemplated under the new network. For each of the following, please provide a full explanation.

(a) Is most of the savings in the row labeled BCS/DBCS from DBCS? What part of the total savings of \$3,542,000 is from DBCS?

(b) Is the savings mainly or exclusively from higher capacity utilization of BCS/DBCS?

(c) Is most or all of the savings estimated for manual letters, \$2,258,000, due to diverting such mail processing directly to active automation P & DCs?

(d) What accounts for the \$402,000 savings for Presort and the \$165,000 savings for metered letters?

GCA/USPS-T10-8

(a) As a general principle, would you agree that the greatest long run cost savings are likely to be found in mail products that are growing in volume? If your answer is in any degree negative, please fully explain the reasons for it.

(b) Would you agree from the last column in Table 1 that the Postal Service's cost cutting efforts appear to be focused on falling volume mail (e.g. manual letters as opposed to metered letters or Presort)?

GCA/USPS-T10-9

The DBCS 7 equipment first deployed in 2008 and scheduled for widespread deployment in 2011 reportedly has a throughput 30% greater than the DBCS 6 machines predominantly in use as of FY 2010. Please assume the truth of these propositions, and on that basis explain in as much detail as possible, how it would affect the cost savings and productivity estimates in your testimony.

GCA/USPS-T10-10

One advantage propounded by other Postal Service experts in this case is that the new network will facilitate having manual letters bypass current operations for manual letters, flats and parcels, and instead move directly into automation operations. In light of this, please explain fully why in Table 2 on page 13 you have a productivity gain for manual letters of only 3%.

GCA/USPS-T10-11

In Table 2 you list a 22% gain in productivity for OCRs. However, witness Rosenberg's table found on the first page of the attachment to her testimony does not list OCRs at all under the heading EQUIPMENT.

(a) Why do you include such equipment?

(b) How would your cost savings estimates change if OCRs were not included? In responding, please refer to your discussion (USPS-T10, pages 15-16) of the formula for calculating the cost reduction implied by a given productivity increase, and show how your answers relate to it.

In Table 6 you list "Supervisor Labor Cost Change" of about \$66.4 million, yet you note following the table that "[w]hile a facility's supervisor costs are directly proportional to the amount of direct hours being supervised, the hours for a plant manager are not." You go on to state that when a plant is closed and the work moved to another facility, there is one less plant manager, hence the savings.

(a) Please confirm that when a plant is closed, supervisors at that plant are, or may be, let go, as with the manager. If you do not confirm, please explain why.

(b) You state at page 18, lines 12-14, that the Postal Service generally keeps a "constant ratio between mail processing supervisory hours and the amount of direct labor being supervised." Does "amount of direct labor" as used here refer to labor hours, number of employees, or some other metric? Please explain fully.

(c) You state at lines 11-12 of the same page that transfer of mail processing hours to a new ("active") facility "will create a need for additional supervision[.]" Is this "additional supervision" measured in supervisory work hours, number of supervisory employees, or some other metric? Please explain fully.

(d) Is your \$66.4 million savings figure net of the added supervisory labor in the new network plant implied by your 6.35 percent supervisory ratio, as a result of the added workload?

(e) You state at lines 14-16 of the same page that the constant ratio referred to in (b) reflects an assumption "used by the PRC (and thus the Postal Service) in the ACD process." Please state and explain your understanding as to

whether the assumption used in the ACD process was developed, and is suitable, for analyses of the effects of major changes in the size of the mail processing network.