

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

COMPLAINT OF TIME WARNER INC. ET AL.
CONCERNING PERIODICALS RATES

Docket No. C2004-1

FIRST SET OF INTERROGATORIES OF TIME WARNER INC. ET AL.
TO UNITED STATES POSTAL SERVICE WITNESS MILLER
(TW ET AL./USPS-RT1-1-11)
(September 14, 2004)

Pursuant to sections 25, 26 and 27 of the rules of practice, Time Warner Inc., Condé Nast Publications, a Division of Advance Magazine Publishers Inc., Newsweek, Inc., The Reader's Digest Association, Inc., and TV Guide Magazine Group, Inc. (collectively, Time Warner Inc. et al.) hereby direct the following interrogatories to United States Postal Service witness Miller (USPS-RT-1).

If witness Miller is incapable of providing an answer to any question, it is requested that an answer be provided by the Postal Service as an institution or by another person capable of providing an answer.

Respectfully submitted,

s/ _____
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**FIRST SET OF INTERROGATORIES
FROM TIME WARNER INC. ET AL. TO WITNESS MILLER (USPS-RT-1)**

TW et al./USPS-RT1-1. Please refer to page 4, lines 24-36 of your testimony, where you reproduce one passage from Mitchell's and two from Stralberg's testimony.

- a. Has any national study been performed to determine the productivity rate (pieces per workhour) for manual flats sorting performed in associate offices, stations and branches? If yes, please describe any such study and the results obtained.
- b. Has any local or regional study been performed to determine the productivity rate (pieces per workhour) for manual flats sorting performed in associate offices, stations and branches? If yes, please describe any such study and the results obtained.
- c. Please confirm that the flats mail flow model presented in your R2001-1 testimony (USPS-T-24) and in USPS LR-J-61 assumed an hourly productivity rate of 422 flats per hour, before volume-variability adjustment, for manual incoming flats secondary distribution, which includes distribution performed at associate offices, stations and branches. If you cannot confirm, please explain fully and state the assumption that you did use in preparing that testimony and the corresponding mail flow model.
- d. Please assume that you were to present today a testimony similar to USPS-T-24 in R2001-1 and that you could use all information currently available to the Postal Service. What number would you use for

manual incoming flats secondary distribution productivity? Please explain your answer fully and describe the data sources you would rely on. If you believe that you would split the manual incoming secondary flats distribution into two or more operations with different productivity rates, or use different rates for certain types of flats, then please describe your thoughts on these matters.

- e. Please confirm that the corresponding flats mail flow models presented by witness Yacobucci (USPS-T-25) in R2000-1 and witness Seckar (USPS-T-26) in R97-1 assumed a much higher manual incoming secondary distribution productivity in non-FSM facilities, including associate offices, stations and branches. Please explain why you decided to change that approach and simply use a single rate in preparing your R2001-1 testimony.
- f. Do you believe it is reasonable to assume that in today's environment flats that receive manual incoming secondary sort, even those that are sorted at associate offices, stations and branches, tend to be harder to sort than the average flat, causing a low average manual productivity rate? If so, please explain why.

TW et al./USPS-RT1-2. For each MODS operation for which volume and workhour data are recorded under the MODS system, please provide, in Excel spreadsheet form, the total number of FHP, TPH and workhours for FY2003. If available, please provide similar information for FY2004, or alternatively any available year-to-date FY2004 information.

TW et al./USPS-RT1-3. At pages 8-9 of your testimony, you state that LR-I-332 "was not created to support a grid rate analysis," and you attempt to link the

development of LR-I-332 to the Postal Service's response, in R2000-1, to POIR 4, filed on February 25, 2000, and to PRC Order No. 1289, issued on March 28, 2000.

- a. According to the Postal Service's records, on what date was Christensen Associates authorized to start development of the model that eventually was filed as LR-I-332?
- b. According to the Postal Service's records, was there a meeting on February 10, 2000 at USPS headquarters, between representatives of the Postal Service, Christensen Associates, and the Periodicals industry to discuss the development of the model that eventually was filed as LR-I-332?
- c. Were you personally present at the meeting referred to above?

TW et al./USPS-RT1-4. Please refer to the chart at page 3 of your testimony.

- a. Please confirm that the cost data used in the chart are based on the Postal Service's costing methodology rather than PRC methodology. If not confirmed, please explain.
- b. Please state which version of the Postal Service's costing methodology is used for each year. For example, is FY96 represented by the FY96 CRA data using the pre-R97-1 costing methodology, or is it based on what was introduced as BY96 in the R97-1 rate case?
- c. Please provide a similar chart, using only mail processing costs rather than total costs.
- d. Please provide a similar chart, using only purchased transportation (cost segment 14) costs rather than total costs.

TW et al./USPS-RT1-5. Please refer p. 4, lines 5-19, where you list 23 factors that you believe affect Periodicals costs. For ease of reference, the 23 factors have been listed below and assigned distinct numbers. Please answer the questions that follow the list.

1. the network configuration through which the mail is processed (i.e., centralized operations versus decentralized operations, such as annexes and processing "hubs"),
 2. the building configurations through which the mail is processed,
 3. the dock configurations through which the mail is processed,
 4. the equipment available at the facilities through which the mail is processed,
 5. the methods used at the facilities through which the mail is processed,
 6. the transportation used to ship mail between postal facilities,
 7. destination entry,
 8. mail piece dimensions (length, height, and thickness),
 9. mail piece weight,
 10. mail piece volume or "cube,"
 11. container type (sack or pallet),
 12. container size,
 13. container weight,
 14. bundling materials and the associated breakage rates,
 15. bundle size,
 16. bundle weight,
 17. mail piece machinability (i.e., AFSM100 compatibility),
 18. the presence of a barcode on the mail piece,
 19. mail piece address location,
 20. mail piece return address location,
 21. mail piece "noise,"
 22. the use of polywrap, and
 23. the frequency of distribution (if, for example, "Hot 2C lists" are used to manage separate Periodicals mail streams).
- a. Please confirm that factors 1 through 6 are things that are determined entirely by decisions made by Postal Service officials and over which mailers have no control. If not confirmed, please explain.

- b. Please confirm that bundle and container presort levels, while not on your list, are nevertheless important drivers of Periodicals costs.
- c. Please confirm that accuracy and readability of the address and barcode, while not on your list, are nevertheless important drivers of Periodicals costs.
- d. While mentioning destination entry (item 7), you do not list the distance between the point of entry and the destination, normally defined by zone in the case of Periodicals as well as some other mail classes. Please confirm that distance between entry point and final destination is an important driver of Periodicals costs.
- e. Please confirm that whether a mail piece is classified as a letter, a flat or a parcel is an important driver of Periodicals costs.
- f. Please state whether you agree that the most important impact of a mail piece's dimensions (item 8) is: (1) whether those dimensions lead to the mail piece being a letter, flat or parcel, (2) whether they lead to the mail piece being machinable and (3) their impact on total weight of the mail piece. Please explain your answer.
- g. Please explain what you mean by mail piece "noise" (item 21), how this characteristic of a mail piece is measured and how you believe it affects costs. Please provide a copy of any postal study of mail piece noise and its effect on costs.
- h. Please explain why you believe the placement of the return address (item 20) affects the cost of a Periodicals mail piece. Please also

describe any studies the Postal Service may have done of the impact of return address placement on Periodicals costs.

- i. Please describe current postal regulations regarding placement of the address on the mail piece (item 19). Assume that a mailer complies with those regulations. Are there then still further cost related issues regarding exactly where (compliant with regulations) he puts the address? If yes, please explain.
- j. Please confirm that use of polywrap on a Periodicals flat can affect the machinability of the flat. Please confirm also that the Postal Service has approved various types of polywrap as consistent with AFSM-100 machinability. Besides its effect on machinability, please state what if any other cost related issues you believe exist with the use of polywrap. Please explain your reasoning.

TW et al./USPS-RT1-6. Your 23 cost factors listed in the preceding interrogatory include “bundling materials and the associated breakage rates” (item 14). On page 10 you refer to two studies of bundle breakage issues that were documented in Docket No. R2000-1. You defend your own use of data from those studies in the subsequent rate case (Docket No. R2001-1) while expressing doubts about the appropriateness of their use by Stralberg in his LR-I-332-based analysis presented in this case.

- a. Please confirm that the probability of a bundle breaking prematurely depends on many factors other than bundling material, including the manner in which the bundle is handled in postal facilities.

- b. Please confirm that since R2000-1 the Postal Service has introduced detailed regulations covering the manner in which flats must be bundled, including instructions for what kinds of bundling materials can be used, how those materials must be applied, limits on bundle thickness in certain cases, etc. Please confirm also that those regulations have now been in effect for some time.
- c. Are you personally familiar with the regulations just referred to?
- d. Do you believe that Periodicals and Standard flats mailers for the most part are complying with the above-mentioned regulations for bundle preparation? Please explain any negative answer.
- e. Do you believe that compliance by mailers with the above mentioned regulations has had or is likely to have had a meaningful impact on the extent to which bundles break? Please explain your answer. If the answer is that you do not think the regulations have had an impact or are likely to have had an impact, do you then conclude that the regulations are useless and might as well be eliminated?
- f. Do you believe the Postal Service considers bundle breakage to be a serious issue in today's flats processing environment?
- g. Has the Postal Service, since the 1999 study documented in LR-I-297, performed any additional study of bundle breakage in which data were collected? If yes, please identify and describe all such studies and the conclusions they reached, and provide copies of all documentation produced by all such studies.

- h. Please explain more fully why you believe it was “safe” to apply the LR-I-88 and LR-I-297 bundle breakage data in your R2001-1 analysis, which led directly to the development of postal rates for various rate categories, while you believe it is not “safe” to apply it in Stralberg’s present analysis, which was intended only to demonstrate the feasibility of further disaggregating Periodicals mail processing costs by identifying the costs directly associated with the number of bundles, sacks and pallets at different presort levels(taking into consideration that the complainants made it clear from the beginning that they expected the particular results obtained to be modified by the use of newer postal data as they become available [see the Complaint of Time Warner Inc. et al. in this docket, filed January 12, 2004, p. 8, ¶ 4, ll. 1-3]).

TW et al./USPS-RT1-7. Please consider the following situation. Carrier route bundles entered on a 3-digit pallet are sorted on an SPBS at the destinating SCF into a five-digit rolling container. Assume that the bundles survive that initial sort without breaking and that the container into which they have been sorted is taken to the delivery unit (DU), where the bundles are distributed to individual carriers.

- a. Please confirm that the situation described above is typical for carrier route presorted flats bundles that are entered on 3-digit pallets. If you cannot confirm, please explain.
- b. Please confirm that in your flats mail flow model, presented in R2001-1, it is assumed that: (1) ten percent of the bundles will break in the process of being distributed to carriers; and (2) the pieces that were in those bundles are put through an incoming secondary sorting

operation before they go to the carriers. If this is not the assumption that is reflected in your flats mail flow model, please explain fully what the assumption is.

- c. Please explain whether you believe today that the model assumption described in part b above is consistent with and justified by:
- (1) the way things are normally done in postal facilities;
 - (2) the bundle breakage data described in LR-I-88 and LR-I-297; and
 - (3) the answers provided by USPS witness Kingsley to interrogatory AOL-TW/USPS-T-39-14 in Docket No. R2001-1 (Tr. 2179-80).
- d. Are you familiar with the bundle breakage assumptions in LR-I-332 that correspond to the situation described above? If yes, please state what percent of the bundles described would be assumed broken and how many pieces should be presumed to have to go back to an incoming secondary sort, according to that model.

TW et al./USPS-RT1-8. On page 11, lines 4-8, you state:

“Furthermore, bundle rates could result in mailers preparing larger and heavier bundles. In some cases, this could negatively impact operations. Larger bundles would tend to have more pieces than smaller bundles. When larger bundles break such that the integrity of the bundle is lost, more mail would be processed in piece distribution operations, even though that mail should have bypassed those operations.”

- a. Please confirm that in the absence of per-bundle rates, as in the current rate structure, mailers tend to prepare many small bundles in order to maximize their presort discounts, causing the Postal Service to have to sort and eventually “prep” more bundles than it would have

to if per-bundle costs were reflected in the rates. If you cannot confirm, please explain.

- b. Please describe fully all current postal regulations that limit the size of flats bundles, both in general and in special cases such as bundles being carried in sacks. Please provide all appropriate references.
- c. Please confirm that the Postal Service, if it so wished, could impose regulations with even stricter limitations on bundle size.
- d. If the Postal Service is as concerned about large bundles as your testimony appears to suggest, why are postal officials talking about raising bundle minimums for both Periodicals and Standard flats?

TW et al./USPS-RT1-9. It has been rumored that the Postal Service soon will deploy the “Automated Package Processing System (APPS)” and that some of the sorting of Periodicals and Standard flats bundles that currently is performed on SPBS machines will be shifted to APPS machines. A Postal Service interrogatory to Stralberg in this docket asked if he had analyzed the impact of the APPS deployment, which of course would have been impossible given that little information has been made available on what the Postal Service’s plans with APPS are, and on what the precise capabilities of the machines are.

- a. Is the APPS deployment one thing you had in mind when you claimed that “cost reduction efforts are underway” on page 2 of your testimony? If not, please explain why not.
- b. Please describe the Postal Service’s current plans, to the extent they have been formulated, regarding APPS deployment. Include estimates of what portion of the current SPBS bundle sorting is

projected to switch to the APPS, and when. Please also explain how use of the APPS system will be shared between parcel and bundle sorting.

- c. Please provide as complete a description as possible of the capabilities of the APPS system. Please include estimated productivity rates and a comparison with the capabilities of the various configurations of SPBS machines.
- d. Has any testing been done to determine how a switch of bundle sorting to the APPS system might affect the probabilities of bundle breakage? If yes, please describe the results of those tests. If no, please explain why not.

TW et al./USPS-RT1-10. Please describe and provide the information currently known to the Postal Service regarding productivity at the bundle prep operation that normally has MODS number 035. In particular, please answer the following.

- a. Please confirm that in today's environment most flats bundles, with the exception of carrier route bundles, are taken to the 035 mail prep operation where the bundles are broken and the pieces inside the bundles are placed on "ergo carts," which are then taken, in most cases, to an AFSM-100 machine. Please explain if not confirmed.
- b. Please confirm that in today's environment even bundled pieces that eventually will be sorted on FSM-1000 machines or manually tend to be given the 035 mail prep treatment.

- c. How is volume at the 035 operation measured in the MODS system? Is it measured in pieces prepped, in bundles opened, or something else? Please explain.
- d. What is believed to be the dominant factor or factors affecting 035 costs? Is it the number of bundles, the number of pieces prepped, the weight of those pieces? Please describe what is known about the cost structure of this operation.
- e. What are the typical productivity targets transmitted to 035 employees by their supervisors?
- f. Is the 035 operation typically staffed with clerks or mailhandlers?
- g. What special studies, if any, have been performed to analyze 035 productivity, and what are the results of such studies?

TW et al./USPS-RT1-11. Has the Postal Service developed estimates of per-bundle, per-sack and per-pallet costs that are more recent than those presented in LR-I-332? If yes, please describe the study or studies in which such estimates were developed. Please also describe the parameters by which the costs were disaggregated, e.g., by presort, entry point, class of mail, etc. Please provide the unit costs obtained from any such studies, as well as all supporting data.