

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
DANIEL TALMO TO INTERROGATORY OF MAGAZINE
PUBLISHERS OF AMERICA, INC. (MPA/USPS-T27-1(b))
(June 2, 2006)

The United States Postal Service hereby provides the response of Postal Service witness Talmo (USPS-T-27) to interrogatory MPA/USPS-T27-1, part (b). Parts (a), (c), and (d) of this interrogatory have been redirected to witness McCrery (USPS-T-42), parts (e), (f), and (j) have been redirected to witness Mayes (USPS-T-25), and parts (g) through (i) have been redirected to witness Loetscher (USPS-T-28).

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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MPA/USPS-T27-1. Please refer to USPS-LR-L-49 at 19-20; USPS-LR-L-85, Table 1; Table 3 of your testimony (USPS-T-27); and your testimony to page 7, line 17, through page 8, line 1, where you state:

Table 3 demonstrates that Periodicals flat-shaped mail presented by mailers in sacks is more costly to process than mail presented on pallets. The per-piece cost difference is due to differences in productivities for platform and other allied operations associated with unloading mail and moving mail to bundle sort operations at the 'destination' facility. The destination facility refers to the facility at which a pallet or sack is dumped or opened and the bundles or pieces therein are handled separately.

Please also refer to witness McCrery's response to Presiding Officer's Information Request No. 4, Question 6, in Docket No. R2005-1, which stated:

It should be noted that the [Skin Sack Cost Reduction] estimate is conservative since it reflects only savings at the destination facilities. However, it would be expected that further workhour reductions will be realized at origin facilities with fewer origin sack handlings and through a reduction in the overall network sack sorting workload for Periodicals.

Finally, please refer to lines 16 through 18 on page 6 of USPS-T-25, which states: "Periodicals that are entered by mailers at origin SCFs or intermediate facilities upstream from the destination SCF must undergo mail processing operations of a bulk transfer type, such as crossdocking, at the non-destination facilities."

- (a) Please confirm that the Postal Service incurs costs for handling Periodicals Outside County containers at facilities upstream of the destination facility. If not confirmed, please explain fully.
- (b) Please confirm that because USPS-LR-L-85 estimates costs only at destination facilities, the cost per container estimates in USPS-LR-L-85 understate the Postal Service's average unit costs of handling Periodicals Outside County containers. If not confirmed, please explain fully, and produce all data and analyses underlying your response.
- (c) Please confirm that the estimate in USPS-LR-L-49 of the cost savings from the Skin Sack Reduction Program was developed using USPS-LR-L-85. If not confirmed, please explain fully, and produce all data and analyses underlying your response.
- (d) Please confirm that, holding all else equal, using USPS-LR-L-85 to estimate the cost savings from the Skin Sack Reduction Program understates the actual cost savings that the program will generate. If not confirmed, please explain fully, and produce all data and analyses underlying your response.

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(e) Please confirm that the average cost (per piece of mail) of handling sacks at destination facilities is higher than the average cost of handling pallets at non-destination facilities. If not confirmed, please explain fully, and produce all data and analyses underlying your response.

(f) Please confirm that the actual per-piece cost difference between sacks and pallets entered at the same “non-destination” facility will be higher than the per-piece cost difference estimated in USPS-LR-L-85. If not confirmed, please explain fully, and produce all data and analyses underlying your response.

(g) What percentage of Periodicals Outside County sacks are entered at the “destination” facility as you use the term in your testimony? Please provide citations to data and analyses sufficient to replicate your response.

(h) What percentage of Periodicals Outside County pallets are entered at the “destination” facility, as you use the term in your testimony? Please provide citations to data and analyses sufficient to replicate your response.

(i) What percentage of Periodicals Outside County containers are entered at the “destination” facility, as you use the term in your testimony? Please provide citations to data and analyses sufficient to replicate your response.

(j) Does the Postal Service have any other estimates of the unit costs of handling containers of Periodicals Outside County mail, or other kinds of mail? If so, please provide the estimates and their source.

RESPONSE:

(a) Redirected to witness McCrery (USPS-T-42).

(b) Confirmed, in that it is my understanding that Periodicals Outside County containers inducted upstream from the destination facility do incur costs at the upstream facilities. These costs are not reflected in USPS-LR-L-85.

(c)-(d) Redirected to witness McCrery (USPS-T-42).

(e)-(f) Redirected to witness Mayes (USPS-T-25).

(g)-(i) Redirected to witness Loetscher (USPS-T-28).

(j) Redirected to witness Mayes (USPS-T-25).