

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS McCRERY
TO INTERROGATORIES OF TIME WARNER, INC.
(TW/USPS-T42-1-7)
(June 9, 2006)

The United States Postal Service hereby provides the responses of witness McCrery to the above-mentioned interrogatories of Time Warner, Inc., filed on May 26, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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TW/USPS-T42-1 At page 29 of your testimony you state:

“Most of the sack sorters in plants have already been removed. Removal of BMC sack sorters is underway and will continue in the near future. As the success of the reduction in sacks effort is realized, sack sorters will continue to be decommissioned.”

- a. How many (non-BMC) plants have operational sack sorters today?
- b. How many (non-BMC) plants are expected to still have operational sack sorters in the test year?
- c. How many of the 21 BMC's no longer have an operational sack sorter today?
- d. By the beginning of the test year, how many BMC's are currently expected to still have operational sack sorters?
- e. By the end of the test year, how many BMC's are currently expected to still have operational sack sorters?

RESPONSE:

- a. 11
- b. Although specific plans and dates for removal have not yet been determined, there is a mandate to significantly reduce the number of sacks and to move away from the outdated sack sorter technology. In the test year, it is therefore expected that the current number will be reduced.
- c. One
- d. Contingent upon the necessary approvals and contracts, it is expected that approximately 16 BMCs will still have operational sack sorters by the beginning of the test year.
- e. Contingent upon the necessary approvals and contracts, it is expected that approximately 12 BMCs will still have operational sack sorters by the end of the test year.

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TW/USPS-T42-2 Please review the following statement and indicate whether you agree or disagree when the statement is applied to (1) sack sorters in BMC's and (2) sack sorters deployed in other plants. If you disagree, please explain why. If you partially disagree, please indicate how the statement would need to be modified in order for you to be able to be in full agreement.

“Sack sorting machines in postal facilities, even those with the ability to automatically scan sack labels, do not completely eliminate the need for manual sack sorting. Nor do they eliminate the need for manual reading of sack labels. The reason is that these machines often simply transport a sack to either a 'roller table' (as in BMC's), a 'sawtooth' operation or a 'sack slide' where employees must make a further (manual) separation according to which truck the sack should be dispatched to or which opening unit it should be taken to.”

RESPONSE:

In general, I agree with the statement for sack sorters in (non-BMC) plants. However, the statement should be modified if applied to sack sorters in BMCs as follows:

“Sack sorting machines in postal facilities, even those with the ability to automatically scan sack labels, do not completely eliminate the need for manual sack sorting. Nor do they eliminate the need for manual reading of sack labels. The reason is that these machines may simply transport a sack to either a 'roller table', a 'sawtooth' operation or a 'sack slide' where employees must make a further (manual) separation according to which truck the sack should be dispatched to or which opening unit it should be taken to. This is normal practice at plants but less common at BMCs.”

For additional related information, see response to TW/USPS-T42-3.

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TW/USPS-T42-3 Please answer each of the following questions. If you cannot provide completely accurate answers, please give at least approximate answers. Please explain how your answers are derived and provide references as appropriate.

- a. For a typical BMC sack sorter, approximately what percent of the sorted Periodicals or Standard sacks are transported by the sack sorter directly to the truck/trailer to which they will be dispatched, or the container in which they will be dispatched, or the (BMC) opening unit at which they will be opened, without any further sack separations needed by employees at the BMC?
- b. For a typical BMC sack sorter, approximately what percent of the sorted Periodicals or Standard sacks require a further manual sack separation (e.g., at a roller table) by employees at the BMC?
- c. For a typical sack sorter in a (non-BMC) plant, approximately what percent of the incoming Periodicals or Standard sacks are transported by the sack sorter directly to the truck/trailer to which they will be dispatched, or the container in which they will be dispatched, or the opening unit at which they will be opened, without any further sack separations needed by plant employees?
- d. For a typical sack sorter in a (non-BMC) plant, approximately what percent of the incoming Periodicals or Standard sacks require a further manual sack separation (e.g., at a sawtooth or sack slide) by plant employees?

RESPONSE:

a & b. Approximately 80% of Periodicals or Standard sacks are directly transported to a truck/trailer, container, or opening unit; while approximately 20% require a further manual sack separation by employees at the BMC.

c & d. Approximately 10% of Periodicals or Standard sacks are directly transported to a truck/trailer, container, or opening unit; while approximately 90% require a further manual sack separation by plant employees.

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TW/USPS-T42-4 Please assume that the Postal Service decides to evaluate whether it is time to “decommission” the sack sorter in a given BMC.

- a. What would be your likely role in such an evaluation?
- b. Please describe all factors that would be considered in such an evaluation, e.g., productivity factors, current and projected volumes, space and capital considerations, etc.
- c. Approximately what annual sack volume would be considered too low to make it worth while to keep a BMC sack sorter?
- d. Please describe in detail the type of (manual) sack sorting operation a BMC that eliminates its sack sorter would establish in order to process the remaining sacks.
- e. Is it likely that a BMC that eliminates its sack sorting machine would replace it with a manual operation that produces fewer separations, thus requiring more sack sorting to be performed at the plants? Please explain your answer.
- f. To what extent would a manual sack sorting operation that replaces a BMC sack sorter need to use secondary and tertiary sort schemes to achieve separations comparable with those achieved with the sack sorter?
- g. Please confirm that a BMC today dispatches incoming sacks directly to each SCF in its service area, as well as to some DDU's. If not confirmed, please explain. Please state also whether this is likely to change as BMC's eliminate their sack sorters. Will, for example, sacks to some smaller SCF's be dispatched to their respective ADC's rather than directly to each SCF?
- h. In the hypothetical evaluation described above, what productivity rates would be used for separating sacks with and without the presence of a sack sorter?
- i. Please answer questions a through h above also under the assumption that the sack sorter considered for elimination is in a (non-BMC) plant.

RESPONSE:

- a. I do not have any role in evaluating the decommissioning of a sack sorter in a BMC.

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- b. Multiple factors are taken into consideration when determining whether sack sorters should be decommissioned. For example, end of service issues of the equipment, corporate strategy, the reduction in plant-specific and system-wide sack workload, the maintenance cost to keep the equipment in service, and the availability of cost-effective and potentially more easily maintained replacement technology all factor into the decision.
- c. To my knowledge there is no single threshold volume that is used for making such a decision.
- d. If a manual operation was the replacement operation after the removal of the sack sorter(s), a BMC would most likely employ a “bullpen” or “sawtooth” operation which consists of containers set up in a U-shaped configuration for manual sortation with the working mail container set up in the open end of the configuration.
- e. No. BMCs that decommission their sack sorting machines would likely replace this equipment with a low cost replacement sorter with a comparable number of separations that better serves the facility’s needs. The decision to purchase and deploy the replacement sorter will be based on volume, facility space, and capital considerations, etc. The decision will likely be made locally as opposed to through a Postal Service Headquarters program.
- f. It is not very likely that manual sack sorting operations would require the use of secondary or tertiary sorts to achieve separations comparable to

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those achieved by sack sorter. BMCs mostly sort sacks into 3-digit separations that, for most the part, can also be achieved by a primary sort in a manual operation.

- g. Not confirmed. BMCs mostly sort sacks into 3-digit separations. This is not likely to change as BMCs eliminate their sack sorters.
- h. MODS productivity for sack sorters at BMCs is 186 sacks per workhour. (See USPS-LR-L-56). If that is adjusted for a volume variability of 0.85, the marginal productivity is 219. It is my understanding that if the sack sorters are removed from a BMC and the sack and tray volume is sufficient to warrant mechanized sorting, then a low cost replacement sorter will be designed and installed to meet the facility's specific needs. Productivities will vary with the design, and these projects will be justified on a case-by-case basis. I am told that available information (if any) on manual sack sorting productivities is being provided in the responses to TW/USPS-T27-7 and 8.
- i. Responses for a. – h. as they pertain to a plant:
 - a. I do not have any role in evaluating the decommissioning of a sack sorter in a plant.
 - b. Low productivity factors, corporate strategy, current and projected volumes, capital considerations, and space constraints would all be taken into consideration in evaluating the removal of a sack sorter from a plant.

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c. To my knowledge there is no single threshold volume that is used for making such a decision.

d. A plant would most likely employ a “bullpen” or “sawtooth” operation which consists of containers set up in a U-shaped configuration for manual sortation with the working mail container set up in the open end of the configuration.

e. N/A as it pertains to a plant.

f. Very unlikely. Manual “bullpen” operations are set up such that a final separation can be achieved with a primary sort.

g. N/A as it pertains to a plant.

h. See my response to part h above.

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TW/USPS-T42-5 Please consider a wheeled container that arrives at a plant with incoming Periodicals sacks from a BMC.

- a. Please confirm that the sacks in this container in most cases will require a manual sack sorting before the individual sacks can either be dispatched or taken to their appropriate opening units. Please describe also the conditions under which such sack sortation is able to be bypassed.
- b. Please describe the specific operations and sub-operations involved in the sortation of incoming sacks at a plant without a sack sorter, and the productivity rates (sacks per work-hour) typically achieved in such operations.
- c. Approximately how often is the separation of incoming sacks at a plant performed at: (1) the platform; and (2) in another area?

RESPONSE:

- a. Confirmed. If the BMC prepares either containers with only working sacks such that the container can be dispatched directly to the plant's opening unit or prepares containers with only sacks for a single delivery unit such that the container can be dispatched directly to the appropriate office.
- b. A plant would most likely employ a "bullpen" or "sawtooth" operation which consists of containers set up in a U-shaped configuration for manual sortation with the working mail container set up in the open end of the configuration. I am told that available information (if any) on manual sack sorting productivities is being provided in the responses to TW/USPS-T27-7 and 8.
- c. Depending upon space availability, every effort is made to separate incoming sacks at a plant on the platform. Plants which have limited platform space separate incoming sacks in house.

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TW/USPS-T42-6 In LR-L-49, at page 20, you describe the Periodicals Cost Reduction Initiative, about which you also testified in Docket No. R2005-1. You say:

“The outgoing distribution of flat mail pieces prepared in mixed bundles has recently been consolidated into significantly fewer facilities and moved to automated processing whenever practical. This consolidation has also allowed for the outgoing distribution of bundles prepared in mixed sacks to be processed in a mechanized or automated environment instead of across sack racks and ensured that Periodicals are not transported through the air.”

In your current testimony you say, at page 20:

“The outgoing processing and distribution of flat mail pieces prepared in new mixed (residual) bundles and sacks will be performed at the origin processing facility along with First-Class Mail for destinations served by surface transportation. This allows the mixed bundles and sacks to be processed in existing outgoing distribution operations and utilize existing surface transportation networks.”

- a. Into how many facilities have you consolidated the “distribution of flat mail pieces prepared in mixed bundles”? Please provide a list of all such facilities. Please also state whether the Postal Service has come up with a separate term with which to characterize these facilities. For lack of a better term, they are referred to in the following questions as “flats consolidation” facilities.
- b. Are all “flats consolidation” facilities also designated as ADC’s for Periodicals? If no, how many are not?
- c. Are all Periodicals ADC’s included among the “flats consolidation” facilities? If no, how many are not?
- d. Does your statement about “distribution of flat mail pieces prepared in mixed bundles” also apply to the distribution of flats bundles prepared in mixed ADC sacks? In other words, if a mixed ADC sack is entered by a mailer, for example at an Associate Office, will that sack be transported to one of the “flats consolidation” facilities before being opened? If your answer is not affirmative, please explain the new policy for processing of Mixed ADC Periodicals sacks.
- e. Please confirm that in order for outgoing mixed Periodicals flats to receive an outgoing distribution together with First Class flats, it is necessary for the mailer to place in separate bundles and in

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separate sacks or other containers those flats that are addressed to destinations where First Class mail receives surface transportation. If this is not accurate, please explain fully the conditions under which Periodicals flats requiring outgoing distribution will be combined with First Class flats.

- f. Please confirm that Periodicals flats requiring outgoing distribution that either are addressed to destinations where First Class flats receive air transport, or are mixed together with such flats, will be processed in outgoing distribution, as well as all subsequent distribution steps, along with Standard flats. If not confirmed, please explain.
- g. Please confirm that Periodicals flats and flats bundles that receive outgoing distribution along with Standard flats, and that are addressed to destinations far from their origin, will travel through the BMC network.
- h. How many of the "flats consolidation" facilities are located either at or close to a BMC?
- i. How many of the "flats consolidation" facilities are located either at or close to an ASF?
- j. Please confirm that all plants will continue to perform outgoing processing of First Class flats. If not confirmed, please explain.

RESPONSE:

- a. The outgoing distribution of flats prepared in mixed bundles has been consolidated into 37 facilities, 34 of which process Periodicals (see list that follows). A separate term for these facilities has not been established, but they are often informally referred to as "L009 facilities".

DV DANIELS NJ
SAN JUAN PR
SPRINGFIELD MA
PHILADELPHIA PA
BUFFALO NY
PITTSBURGH PA
HARRISBURG PA
JCTM WASH DC
GREENSBORO NC
CINCINNATI OH
NORTH METRO GA
ATLANTA GA (STD and PKG SVCS only)

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JACKSONVILLE FL
MEMPHIS TN
ST LOUIS MO
DETROIT MI
INDIANAPOLIS IN
IRVING PARK RD IL
MINNEAPOLIS MN
DES MOINES IA
FARGO ND
SIOUX FALLS SD
BILLINGS MT
KANSAS CITY MO
DENVER CO
NORTH TEXAS TX
FT WORTH TX (STD and PKG SVCS only)
OKLAHOMA CITY OK
DALLAS TX (STD and PKG SVCS only)
SALT LAKE CITY UT
SEATTLE WA
PHOENIX AZ
ALBUQUERQUE NM
LOS ANGELES CA
OAKLAND CA
HONOLULU HI
ANCHORAGE AK

- b. Of the 37 facilities listed in the response to subpart (a), all but two – Irving Park Rd, IL and Dallas, TX – are also ADCs for Periodicals.
- c. No. There are 35 “flats consolidation” facilities that are also ADCs for Periodicals, leaving 68 facilities designated as an ADC for Periodicals that are not also “flats consolidation” facilities.
- d. Yes.
- e. Confirmed.

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- f. In many cases, confirmed, though it should be noted that the combined product will be treated as Periodicals during subsequent distribution steps.
- g. It can be confirmed that if direct transportation or transportation linked through a transfer center (e.g. HASP) does not exist from the “flats consolidation point to the destination plant, this volume could be dispatched to a BMC where it can be then transferred onto transportation to destinations far from the origin.
- h. 24
- i. 7
- j. Not confirmed. The responsibility for the outgoing processing at a plant for a specific service area may be shifted to another plant.

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TW/USPS-T42-7 The following questions concern the flow of Periodicals sacks and pallets through the network of ADC facilities. If precise answers to some questions are not possible, please provide at least rough estimates, based on your knowledge of the Postal Service's surface transportation network.

- a. How many processing facilities are currently designated as ADC's for Periodicals?
- b. Please confirm that the Postal Service's surface transportation network does not include direct transportation (without transshipping) between all possible pairs of Periodicals ADC's.
- c. Please confirm that the Postal Service's surface transportation network does include direct transportation (without transshipping) between all possible pairs of BMC's. If not confirmed, please state what the exceptions are.
- d. Does the Postal Service have direct surface transportation between any pair in the extended BMC network that includes the ASF's?
- e. Please assume that a given Periodicals ADC which is not a "flats consolidation" facility receives a sack or a pallet that is presorted to a distant (located in a different BMC service area) ADC. Roughly what are the probabilities of the following transportation paths for such a sack or pallet:
 - (1) origin ADC directly to destination ADC;
 - (2) origin ADC to origin BMC (or BMC annex) to destination BMC (or annex) to destination ADC;
 - (3) origin ADC to destination BMC (or annex) to destination ADC;
or
 - (4) any other (please explain).
- f. Please assume that a given Periodicals SCF which is neither an ADC nor a "flats consolidation" facility receives a sack or a pallet that is presorted to a distant (located in a different BMC service area) ADC. Roughly what are the probabilities of the following transportation paths for such a sack or pallet:
 - (1) origin SCF directly to destination ADC;
 - (2) origin SCF to origin ADC and directly to destination ADC;
 - (3) origin SCF to origin BMC (or BMC annex) to destination BMC (or annex) to destination ADC;
 - (4) origin SCF to origin ADC to destination BMC (or annex) to destination ADC;
 - (5) any other (please explain).
- g. Same as part e above, except assuming the origin ADC is one of the "flats consolidation" facilities.

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RESPONSE:

- a. 103
- b. It is presumed that transshipping means moving a container off one vehicle and placing it onto another for transport to the final destination. Confirmed.
- c. Confirmed.
- d. Yes
- e. I have no basis upon which to provide more specific, quantitative probabilities.
 - (1) Unlikely.
 - (2) Possibly.
 - (3) Very unlikely.
 - (4) Origin ADC to HASP to destination ADC, Origin ADC to HASP to HASP to destination ADC.
- f. I have no basis upon which to provide more specific, quantitative probabilities.
 - (1) Unlikely.
 - (2) Unlikely.
 - (3) Possibly.
 - (4) Very unlikely.

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(5) Origin SCF to HASP to destination ADC, origin SCF to origin ADC to HASP to destination ADC, Origin SCF to HASP to HASP to destination ADC, origin SCF to origin ADC to HASP to HASP to destination ADC.

g. I have no basis upon which to provide more specific, quantitative probabilities.

(1) Unlikely

(2) Possibly.

(3) Very unlikely.

(4) Origin ADC to HASP to destination ADC, Origin ADC to HASP to HASP to destination ADC.