

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-T42-8-11)
(June 19, 2006)

The United States Postal Service hereby provides the responses of witness McCrery to the above-mentioned interrogatories of Time Warner, Inc., filed on June 5, 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-T42-8 Please consider the following two scenarios. In the first, a mailer enters at the destinating SCF a 2,000 lb 3-digit pallet, with mostly carrier route bundles. In the second, the mailer enters at the destinating SCF a 1,750 lb 3-digit pallet and a 250 lb 5-digit pallet containing carrier route bundles for one of the DDU's served by the SCF. Assume that the given DDU has the ability to handle pallets.

Please respond to each of the following and explain each of your answers.

- a. Based on your own experience, including that as Plant Manager of the Burlington, VT Processing and Distribution Facility, do you believe most plant managers would welcome the introduction of the extra (5-digit) pallet described above?
- b. Do you believe that placing the carrier route bundles to a given DDU on a separate pallet, as described above, helps reduce Postal Service costs?
- c. Considering the way that carrier route bundles on a 5-digit pallet normally are distributed to carriers at the DDU, do you agree that the chances of these bundles breaking prematurely are practically zero?
- d. Do you agree that the value to the Postal Service of placing carrier route bundles on a 5-digit pallet, thereby avoiding at least one bundle sorting operation, depends primarily on the number of bundles on the pallet, rather than the weight of the pallet?
- e. Might some plant managers even welcome 5-digit pallets containing less than 250 lbs, because of the avoided bundle sorting, reduced breakage and the ability to get the product to the DDU's faster?
- f. Is there additional value to the Postal Service if the carrier route bundles on the 5-digit pallet are organized by carrier route?
- g. Do you agree that the value to the Postal Service of making 5-digit pallets from larger 3-digit or ADC pallets is greater the closer that the pallets are entered to the destinating facility?

RESPONSE:

- a. Yes.
- b. Though not based on quantitative analysis, I believe that under the right conditions these pallets can reduce costs. When the smaller 5-digit

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- pallets can efficiently be removed from a multi-stack of pallets – smaller pallets are often stacked and wrapped together for entry at a plant – and cross-docked onto a truck, this can be advantageous. However, if the smaller pallets cannot effectively be “unstacked” and cross-docked or the small volume on the pallet does not justify the space on the truck that will transport the mail to the appropriate delivery unit, the contents are likely to be consolidated into another container and much of the value of the 5-digit pallet is lost.
- c. Bundles that are strapped and/or securely wrapped then placed on any pallet are unlikely to break open prior to distribution of the contents on the pallet.
 - d. For the most part, I agree. However, as described in the response to subpart (a), the overall benefit of the pallet will likely depend on the ability to cross-dock the pallet onto the truck that will transport the mail to the delivery unit. Though no single threshold exists that justifies placing the pallet directly on the truck, the judgment call is based on the space the pallet and contents will occupy – pallets are very unlikely to be stacked on delivery unit trucks, so the single pallet will occupy the entire pallet position. Therefore, weight would be a more appropriate measure of the space that the pallet and contents will occupy rather than the number of bundles.
 - e. They might.

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- f. Based on the method likely used to distribute bundles on 5-digit pallets – bundles lifted off the pallet and placed in the appropriate carrier route container – I do not believe that organizing the bundles by carrier route would have significant additional value.

- g. I agree.

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TW/USPS-T42-9 Please consider a flats mailer who makes up 5-digit pallets to four 5-digit zones served by the same SCF, but does not dropship, i.e., he enters these pallets at origin. Assume that each pallet weighs 250 lbs.

- a. Please confirm that under current Postal Service regulations the mailer has the option of stacking the four pallets referred to above on top of each other, wrapping additional plastic around the stack of pallets and thereby effectively making one pallet out of four. Please describe also the precise requirements and the conditions under which such a combination of pallets is allowed.
- b. Please confirm that the stack of four pallets described in part a will be handled in the postal system as a single pallet, until it reaches the destinating SCF, at which point it will be opened and the four 5-digit pallets will be transferred to their respective DDU's.
- c. Please confirm that for pallets that are not dropshipped, combining several pallets that travel together as one pallet though the postal system helps avoid Postal Service costs.

RESPONSE:

- a. Confirmed. The standards that specify how pallets can be stacked are defined in DMM 705.8.3, which can be found at <http://pe.usps.com/text/dmm300/705.htm#wp1380958>.
- b. Partially confirmed. See conditions under which the 5-digit pallets could be transferred directly to their respective DDUs described in response to TW/USPS-T42-8, subparts (b) and (d).
- c. Assuming that this combined pallet has the necessary stability such that it can be safely transported on Postal Service transportation, confirmed.

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TW/USPS-T42-10 Please assume that a Periodicals flats mailer is able to enter a 2,000 lb ADC pallet at the destinating BMC/transfer hub for a given ADC. Assume that the ADC is also an SCF and that in addition it serves as ADC for three other SCF's.

Assume that the mailer decides instead to split up this ADC pallet into four SCF pallets, one for each of the four SCF's served by the ADC. Please discuss the implications of this decision for Postal Service costs and address the specific questions below.

- a. Please confirm that the bundles to the three SCF's which are separate from the ADC itself in most cases will avoid one bundle sort by being moved to SCF pallets. If this is not always the case, please explain the conditions under which it might not be the case.
- b. Please confirm that the bundles to the three SCF's which are separate from the ADC itself, in addition to avoiding one bundle sort, will also have a reduced chance of premature breakage.
- c. Please confirm that a BMC has direct transportation to each SCF in its service area. If not confirmed, please explain when this is not the case.
- d. Please confirm that the bundles to the three SCF's which are separate from the ADC itself will be able to travel directly to their respective destinating SCF's, whereas if they had remained on the ADC pallet they would have to first travel to the ADC and then, after the additional bundle sort, to travel from the ADC to the DSCF.
- e. Do you agree that, all factors considered, splitting the 2000 lb ADC pallet referred to above into four smaller SCF pallets would help reduce Postal Service costs?

RESPONSE:

- a. Partially confirmed. ADCs do sort bundles into 5-digit containers for delivery units or automated schemes served by SCFs which are separate for the ADC itself in order to minimize the rehandlings needed at the downstream SCFs. Also, ADCs with automated or mechanized bundle distribution may perform more extensive distribution for SCFs in the ADC service area that do not have similar technology to minimize the less efficient bundle distribution at these downstream SCFs. In these cases,

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an equal number of bundle sorts will be required on bundles to these destinations when placed on ADC pallets or when placed on SCF pallets.

- b. Partially confirmed. See response to subpart (a).
- c. Not confirmed. BMCs often do not have direct transportation to SCFs within their service area that are also served by an ASF.
- d. Partially confirmed. See responses to subparts (a) – (c). Similar to the circumstances described in response to TW/USPS-T42-8b, if the smaller SCF pallets cannot effectively be unstacked and cross-docked or the small volume on the pallet cannot justify the space on the truck that will transport the mail to the appropriate SCF, the contents are likely to be consolidated into another container and much of the value of the pallet is lost.
- e. With all of the complicating factors described in subparts (a) through (d), I do not believe I have enough information to state even anecdotally whether this scenario would reduce Postal Service costs in every case or even on the average.

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TW/USPS-T42-11 Please assume that, in response to the proposed Periodicals container charge, meant to discourage use of sacks but in its present form also an incentive to use fewer pallets with less presort, Periodicals mailers reduce their current use of 5-digit pallets in favor of larger 3-digit pallets and reduce their current use of 3-digit pallets in favor of larger ADC pallets. Please discuss the likely consequences on costs and service. In particular, please address each of the following questions.

- a. Please confirm that the reduction in Periodicals pallet presort levels described above will require the Postal Service to perform additional bundle sorting.
- b. Please confirm that the reduction in Periodicals presort levels described above is likely to engender additional premature bundle breakage.
- c. Is it possible that in some facilities the additional bundle sorting will put a strain on available automated and mechanized equipment capacity, causing some reversion to less efficient (i.e., manual) bundle sorting methods? If your answer is that this is not possible, please explain why not. If your answer is that it is possible, please explain how the Postal Service plans to cope with such a development, should it occur.
- d. Please confirm that Periodicals share the available automated and mechanized bundle sorting equipment with several other products, e.g., Standard bundles, Priority Mail, etc., and that an additional strain on the available capacity could affect those other products as well. If not confirmed, please explain.
- e. Please confirm that the need for additional bundle sorting steps described above may make it more difficult for the Postal Service to meet its service commitments – for Periodicals and possibly for other mail classes as well. Please explain also how the Postal Service plans to cope with such a development, should it occur.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. An increase in bundle sorting requirements could put a strain on the ability of a given plant to perform this distribution. If bundle sorting requirements were to increase at a given plant, the plant would first utilize the excess capacity on the existing automated and/or mechanized equipment. If

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- additional capacity is still needed, it would then likely be absorbed by deploying additional automated or mechanized capacity and/or manual distribution. However, I believe that it is worth noting that a container change, which would encourage the preparation of fewer containers, would also create an incentive for mailers to prepare larger or combined mailings with fewer sacks and pallets that would have an offsetting impact on bundle distribution requirements due to the improved average container presort of larger mailings.
- d. Partially confirmed. In some, but not all cases, Periodicals share the available automated and mechanized bundle sorting equipment with other products, e.g., Standard Mail bundles, Priority Mail, etc. In the cases where equipment is shared, a change in the bundle sorting requirements for Periodicals could affect the other products.
- e. It may, but then again, it may not. The steps described in subpart (c) that are likely to be taken in response to any increase in bundle sorting requirements could have a detrimental, positive (e.g. additional equipment), or no significant impact on the ability of a plant to meet its service commitments. The adjustments that plants make in response to changes in volume are always considerate of the plant retaining the ability to distribute all volume within the available processing window(s) in accordance with the applicable service commitments.