

DOCKET NO. R2006-1
RESPONSE OF MPA/ANM WITNESS GLICK TO USPS/MPA/ANM-T2-36

USPS/MPA/ANM-T2-36. In your response to USPS/MPA/ANM-T2-1(b), you state, "Furthermore, it seems likely that many First-Class Mail flats will be sorted on flat sorting machines."

(a) Please confirm that by using the term "First-Class Mail flats" you are referring to "First-Class Mail single-piece flats," given that this mail stream is what was referenced in the original interrogatory. If you do not confirm, please explain.

(b) Please confirm that non-presort First-Class Mail single-piece flats are generally not required to comply with Postal Service mail preparation, addressing, and barcoding requirements. If you do not confirm, please explain.

(c) Please quantify your use of the term "many" in your response.

(d) Assuming for purposes of this question that the aggregate average manual percentage of 44.7 percent from the response to MPA/USPS-T42-1(a) is reliable, would you expect the disaggregate average manual percentage for First-Class Mail single-piece flats to be lower, the same as, or higher than that value? Please explain your response.

RESPONSE

(a) Confirmed.

(b) Not confirmed. All First-Class Mail flats, including non-presort single-piece flats, must satisfy certain basic mail preparation requirements. Both presort and single-piece First-Class Mail flats, for example, generally must satisfy relevant requirements for the mailing container and packaging; have appropriate cushioning, closure and reinforcement; contain no nonmailable matter; have a visible and legible delivery address, carry indicia of payment of the proper amount of postage, and fall within certain size and weight limits. See DMM 601 and 602. I can confirm, however, that presort First-Class Mail pieces must comply with a variety of other mail

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preparation, addressing and barcoding requirements not imposed on single-piece mail, although I am not an expert in the details of those requirements.

(c) I did not have an exact number in mind, but what I meant by “many” was “a large or considerable number.”

(d) The data provided by TW witness Stralberg in Table 1 of his response to USPS/TW-T2-6(b) provides compelling evidence that the percentage of First-Class Mail flats (which, as discussed below, consists primarily of single-piece flats) that receive incoming secondary sorts on AFSM 100s is well above the systemwide average, which (in turn) suggests that the percentage of First-Class Mail incoming secondary sorts that are manual is below average. This is because the vast majority of incoming secondary flats are performed either manually or on the AFSM 100.

According to USPS-LR-L-87, approximately 4.5 billion First-Class Mail flats were mailed in FY 2005 (3.6 billion of which were mailed at single-piece rates). Thus, in FY 2005, First-Class Mail flats (which require incoming secondary sorts) comprised approximately 15 percent of the 29.5 billion incoming secondary sorts identified by McCrery in response to MPA/USPS-T42-1(a). In comparison, First-Class Mail IOCS tallies comprised nearly thirty percent of AFSM 100 incoming secondary tallies. This implies that First-Class Mail flats (which are comprised primarily of single-piece flats) receive incoming secondary sortations on the AFSM 100 at an above-average rate.

Since it appears that First-Class Mail flats (which are comprised primarily of single-piece flats) receive incoming secondary sorts on AFSM 100 at an above-

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average rate, it would seem that they would receive manual incoming secondary sorts at a below-average rate. Perhaps this is because First-Class Mail flats are generally mailed in envelopes.

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USPS/MPA/ANM-T2-37 Please refer to your response to USPS/MPA/ANM-T2-3(b), where you discuss your rationale for invalidating witness Miller's reasons for not including incoming secondary factors in the USPS-LR-L-43 cost models. In your discussion of the "Second Reason" you state, "Thus, the critical determinant of the cost of incoming secondary sorting is the percentage of flats sorted manually."

(a) Please confirm that your rationale for invalidating witness Miller's first and second reasons hinges on the reliability of the 44.7 percent estimate provided in response to MPA/USPS-T42-1(a). If you do not confirm, please explain.

(b) Assume for purposes of this question that you had determined that the 44.7 percent estimate was not reliable for cost modeling purposes. If you had made this determination, would you have had any rationale for invalidating the first and second reasons provided by witness Miller? Please explain your answer.

RESPONSE

(a) Not confirmed. In past proceedings, the basis of the Postal Service's incoming secondary factors has been "USPS Operations" estimates. See, e.g., Docket No. R2000-1, USPS-LR-I-90, worksheet "Data", notes (12) to (14). If the 44.7 percent figure were completely unreliable, I see no reason why witness Miller could not have worked with USPS Operations to update the figures from past cases. This approach – working with knowledgeable staff to develop reasonable estimates – would have been preferable than witness Miller's approach of simply assuming incorrectly that all flats that flow to a machine for incoming secondary processing will receive a machine sort.

Put differently, USPS-LR-L-43 is less accurate because witness Miller decided to eliminate the use of incoming secondary factors on the theory that "we did not have sufficient data to support their usage" and "they could not be accurately

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applied,” rather than updating them based upon the best data available and the judgment of USPS Operations personnel.

(b) See my response to subpart (a) of this interrogatory.

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RESPONSE OF MPA/ANM WITNESS GLICK TO USPS/MPA/ANM-T2-38

USPS/MPA/ANM-T2-38 Please refer to your response to USPS/MPA/ANM-T2-3(b), where you discuss your rationale for invalidating witness Miller's reasons for not including incoming secondary factors in the USPS-LR-L-43 cost models. In your discussion of the "Third Reason," you compare the incorporation of incoming secondary factors to the usage of equipment coverage factors.

(a) Please confirm that data exist which show current equipment locations by facility and flats volumes by class of mail which are processed through each facility. If you do not confirm, please explain.

(b) Please confirm that data do not exist which show the percentage of machinable non-carrier route flats processed in manual incoming secondary operations in total [bear in mind that the MPA/USPS-T42-1(a) response reflects the percentage for all non-carrier route mail]. If you do not confirm, please explain.

(c) Please confirm that data do not exist which show the percentage of machinable non-carrier route flats and the percentage of total non-carrier route flats that are processed in manual incoming secondary operations by class of mail. If you do not confirm, please explain.

RESPONSE

Note that witness Miller's third reason was "such factors were affected by issues unrelated to mailer prebarcoding and presorting efforts (e.g., whether or not a given ZIP Code was processed on automation/mechanization)." I compared the incorporation of incoming secondary factors to the usage of equipment coverage factors because both types of factors are unrelated to mailer prebarcoding and presort efforts, but both types of factors should be included in the model because they affect the costs avoided by mailer prebarcoding and presort efforts.

(a) Confirmed.

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(b)-(c) I am not aware of any postal data collection system that would provide this information. Note that, in Docket No. R2000-1 and R2001-1, incoming secondary factors were based upon Operations estimates.

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USPS/MPA/ANM-T2-39 Please refer to your response to USPS/MPA/ANM-T2-3(b), where you discuss your rationale for invalidating witness Miller's reasons for not including incoming secondary factors in the USPS-LR-L-43 cost models. In your discussion of the "Fourth Reason," you state that witness Miller is mistaken when he stated that the incoming secondary factors did not have a significant impact on the cost differences.

(a) When you state that the original cost difference between 5-digit automation presort flats and carrier route nonautomation presort flats was 7.066 cents, please confirm that the figures used to measure that cost difference were 16.012 cents (5-digit automation presort flats) and 8.947 cents (carrier route nonautomation presort flats). If you do not confirm, please provide the correct figures.

(b) When you stated that the revised cost difference (assuming no manual processing) between 5-digit automation presort flats and carrier route nonautomation presort flats was 6.320 cents, please confirm that the figures used to measure that cost difference were 15.454 cents (5-digit automation presort flats) and 9.134 cents (carrier route nonautomation presort flats). If you do not confirm, please provide the correct figures.

(c) Please confirm that your comparison showed that when the assumption that 20 percent of the flats were processed manually was reduced to zero percent, the 5-digit automation flats mail processing unit cost estimate decreased by 3.48% [(16.012 cents – 15.454 cents)/16.012 cents]. If you do not confirm, please explain.

(d) Please confirm that your comparison showed that when the assumption that 20 percent of the flats were processed manually was reduced to zero percent, the noncarrier route automation flats mail processing unit cost estimate increased by 2.09 percent [(9.134 cents - 8.947 cents) / 8.947 cents]. If you do not confirm, please explain.

(e) Please confirm that the incoming secondary factor change you described in your example affected all 10,000 pieces flowing through the 5-digit automation presort flats model in MPA/ANM-LR-2, and only 954 pieces flowing through the carrier route nonautomation presort flats cost model. If you do not confirm, please explain.

(f) Please confirm that the 5-digit automation presort flats cost estimate decreased while the carrier route nonautomation presort flats cost estimate increased for the following reasons: 1) the model unit costs changed, and 2) the fact that the change resulted in a larger CRA proportional adjustment factor. If you do not confirm, please explain what factors did result in a mail processing unit cost estimate that increased for one rate category and decreased for the other rate category.

RESPONSE

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed if the question is referring to carrier route nonautomation flats, rather than noncarrier route automation flats.

(d) Not confirmed. The change affected only the pieces that flow to flat sorting machines for incoming secondary sorting operations. I can confirm, however, that the change affects many more 5-digit automation flats than carrier route flats.

(e) Confirmed. Changing the incoming secondary factors from 80% machine/20% manual to 100% machine/0% manual reduces the modeled unit costs for both 5-digit automation and carrier route nonautomation flats and increases the CRA proportional adjustment factor.

Note that changing the incoming secondary factor from 80% machine/20% manual to 100% machine/0% manual has a significant impact on the unadjusted modeled unit cost difference as well. Specifically, it reduces the cost difference between 5-digit automation and carrier route nonautomation flats from 5.248 cents to 4.203 cents. Thus, Miller's fourth reason for eliminating incoming secondary factors—"they did not have a significant impact on...cost differences by rate category"—is wrong whether the cost differences are CRA-adjusted or not.

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RESPONSE OF MPA/ANM WITNESS GLICK TO USPS/MPA/ANM-T2-40

USPS/MPA/ANM-T2-40. Please refer to your response to USPS/MPA/ANM-T2-4(a). When asked to provide an empirical basis for your 80 percent machinable / 20 percent manual estimates you state, "MPA/ANM-LR-2 estimates that approximately 36% of incoming secondary sorts of Periodicals Outside County flats will be manual."

(a) Please confirm that the 80 percent and 20 percent figures were not derived from any empirical data (e.g., from postal data collection systems). If you do not confirm, please explain.

(b) Please confirm that the 36 percent estimate is simply the result from your cost models when the 80 percent and 20 percent figures are used. If you do not confirm, please provide the derivation of the 36 percent figure.

RESPONSE

My entire response to USPS/MPA/ANM-T2-4(a) was "MPA/ANM-LR-2 estimates that approximately 36% of incoming secondary sorts of Periodicals Outside County flats will be manual. Compared with the estimate produced by USPS-LR-L-43, the 36% value is much more consistent with Witness McCrery's estimate that 44.7% of all incoming secondary flat sortations are manual and his assessment that the manual percentage may be even higher for periodicals."

(a) Not confirmed. I can confirm, however, that the 80 percent and 20 percent figures were not direct outputs from a postal data collection system. My response to USPS/MPA/ANM-T2-4(a) and pages 17 through 19 of my testimony explain how I derived the figures. Per my response to USPS/MPA/ANM-T2-4(a), the percentage of all incoming secondary flat sorts that are manual – which (according to McCrery) was derived from MODS and FLASH reports – was an input into my derivation of the 80 percent and 20 percent figures.

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Note also that the 20 percent manual incoming secondary factor is considerably less than the manual incoming secondary factors used by the Postal Service in its Docket No. R2001-1 flats cost model. In that case, the manual incoming secondary factor for Periodicals was 35 percent. USPS-LR-J-61, PERIOD.xls, worksheet "Coverage Factors", cell C21.

Finally, the implicit 100 percent machine/zero percent manual incoming secondary factors used in USPS-LR-L-43 were not derived from any empirical data.

(b) Confirmed. As I have explained, this result is much more consistent with the best available data regarding the percentage of incoming secondary sorts that are manual than is the percentage that results from USPS-LR-L-43.

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RESPONSE OF MPA/ANM WITNESS GLICK TO USPS/MPA/ANM-T2-41

USPS/MPA/ANM-T2-41. Please refer to your response to USPS/MPA/ANM-T2-7(a). Please confirm that the 50 percent figure you used was not derived from any available data (e.g., from postal data collection systems). If you do not confirm, please explain.

RESPONSE

Not confirmed. I can confirm that the 50 percent figure was not a direct output of a postal data collection system. However, USPS-LR-L-43 shows that only ten percent of Periodicals Outside County Carrier Route flats require incoming secondary piece sorts. This information was an input into my judgmental determination of the 50 percent figure.

As discussed on pages 22 and 23 of my testimony, the remaining carrier route flats will avoid the flat preparation mail processing cost pool. Rather, flat preparation costs for these pieces are included in the unit delivery cost estimates in USPS-LR-L-67. *Id.*, p. 23. My approach begins to reflect the significant flat preparation mail processing cost difference between carrier route and non-carrier route flats.

Note also that witness Miller's implicit assumption that all rate categories incur the same amount of flat preparation mail processing costs is not derived from any available data.