

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Modification of Analytic Principles in Periodic
Reporting (Proposals Three Through Nineteen):

Docket No. RM2009-10

INITIAL COMMENTS OF TIME WARNER INC.
IN RESPONSE TO ORDER NO. 269
(August 20, 2009)

Time Warner Inc. (Time Warner) respectfully submits these initial comments in response to Commission Order No. 269, Notice of Proposed Rulemaking on Analytic Principles Used in Periodic Reporting (Proposals Three Through Thirteen) (issued July 31, 2009).

Background

On July 28, 2009, the United States Postal Service filed a petition for an informal rulemaking to consider changes in the analytical methods approved for use in periodic reporting. Order No. 269 granted the Postal Service's petition, established the above-captioned docket for consideration of the proposed changes, and established August 20, 2009 as the date for submission of initial comments by interested persons.

As it has on past occasions, Time Warner hereby adopts as its comments an analysis prepared by its longtime postal consultant, Halstein Stralberg. Mr. Stralberg's analysis is appended hereto.

Summary

Time Warner's comments--and Stralberg's analysis--are addressed entirely to Postal Service Proposal 12, which proposes a "methodology for determining the percent of Periodicals flats requiring incoming secondary sorting that will be given an automated/mechanized, rather than manual, incoming secondary sort if their destinating facility has flats sorting machines." Appendix at 1.

For the reasons explained in detail by Mr. Stralberg, Time Warner urges the Commission to reject Postal Service Proposal 12 and to continue for the present to apply the methodology used by the Commission in its Annual Compliance Determination, Fiscal Year 2008 (issued March 30, 2009), at 55-56.

Respectfully submitted,

s/ _____
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APPENDIX

THE HIGH COSTS OF MANUAL FLATS SORTING

**by
Halstein Stralberg**

August 20, 2009

THE HIGH COSTS OF MANUAL FLATS SORTING

The Postal Service's Docket No RM2009-10 Proposal 12 argues that the Commission should adopt the Postal Service's methodology for determining the percent of Periodicals flats requiring incoming secondary sorting that will be given an automated/mechanized, rather than manual, incoming secondary sort if their destinating facility has flats sorting machines.

The Periodicals flats mail flow model contains a factor representing this "Auto/Mech" percentage. In my R2006-1 testimony I estimated a value of 85%, which the Commission adopted in that docket and which the Postal Service used in its ACR2007 model. But in Docket No. RM2009-1 the Postal Service proposed a method of estimating the "Auto/Mech factor" based on RPW and MODS data. It applied the methodology to FY2007 data, the most recent available at the time. By coincidence, that resulted in a factor equal to 84.5%, very close to my original estimate.¹

However, when in ACR2008 the same methodology was applied to FY2008 data, the "Auto/Mech" factor came to 98.8%, which would seem to indicate that hardly any flat was diverted to manual sorting in that year, i.e., if a flat's destinating SCF had a flat sorting machine, that flat was practically guaranteed to be machine sorted rather than manually sorted during the entire 2008 fiscal year.

In Docket No. RM2009-1 the Commission adopted the methodology that the Postal Service had proposed. However, in its ACR2008 determination, the Commission noted that the RM2009-1 formula yielded a very different result when the FY2008 RPW and MODS data were used. It declined to use the revised formula, stating that:

continued use of this formula could easily produce the illogical result that more than 100 percent of flats will receive a mechanized incoming sort.²

Since the total volume of flats declined substantially between FY2007 and FY2008, while the automated/mechanized flats sorting capacity was approximately unchanged, it

¹ See Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Further Proposed Methodology Changes for the FY 2008 ACR (Proposal Twelve) (filed November 4, 2008).

² Postal Regulatory Commission, Annual Compliance Determination: Fiscal Year 2008 (issued March 30, 2009), at 55-56.

is not unreasonable to expect that the need for manual diversion of incoming secondary sorting would have declined and that the percent of flats receiving automated/mechanized sorting therefore should have increased. However, there are several inaccuracies and unverified assumptions in the Postal Service's approach, which I will discuss below.

More importantly, if there had in fact been a sharp drop in the manual incoming secondary sorting between FY2007 and FY2008, then one would have expected the costs of manual incoming secondary flats sorting attributed to Periodicals by the IOCS/CRA also to have dropped sharply. But as I will show in the following, there was no such drop. In fact, the costs of incoming secondary flats sorting attributed to Outside County Periodicals increased slightly.

Furthermore, the wage adjusted per-piece costs of manual incoming secondary sorting attributed to Periodicals in FY2008, when such sorting supposedly had almost been eliminated, were higher than in FY2005, base year in R2006-1, when USPS witness McCrery indicated that as much as 44% of non-carrier route flats might be receiving manual incoming secondary sorting.

While questions remain about the accuracy of the Postal Service's estimate of the "Auto/Mech" percentage, the more important question raised by the discrepancy described above concerns the accuracy of the costs that IOCS/CRA attribute to Periodicals. This also raises some doubts about the supposedly very low Periodicals cost coverage.

In an earlier memo I pointed out, with reference to the data in the ACR2007 Periodicals flats mail flow model, that the costs of manual flats sorting attributed to Periodicals appeared to far exceed the manual flats sorting that would occur according to the model. Already at that time I concluded that resolving this apparent discrepancy might be a key to understanding how Periodicals costs can be brought under control.³ But a year later, when according to the combined RPW/MODS data most manual sorting of flats had disappeared, the costs attributed for such sorting were just as high, or higher.

Section A below compares the key RPW and MODS volume data for different years

³ See Docket No. RM2008-2, Initial Comments of Time Warner Inc. in Response to Order No. 99 (filed September 8, 2008), Appendix B of Addendum: "Recommendations for Improving the Periodicals Class."

and illustrates the Postal Service's proposed method for computing the incoming secondary flats "Auto/Mech" ratio. Section B presents estimates of the cost of manual flats sorting for Periodicals flats, particularly incoming secondary sorting, and shows that these costs are inconsistent with a large drop in such sorting. Section C explains several additional reasons why the proposed methodology may not be accurate. Section D demonstrates that Periodicals flats are much less likely to receive automated sorting and far more likely to receive manual sorting than are Standard flats. Section E summarizes my major conclusions.

A. FLATS VOLUME HAS DROPPED DRAMATICALLY WHICH SHOULD HAVE HELPED ELIMINATE MOST MANUAL SORTING

The use of RPW and MODS volume data to estimate roughly what percentage of non-carrier route flats is sorted manually from 5-digit to carrier route was introduced in R2006-1 by USPS witness Miller, who applied it to FY2005 data. The Postal Service used essentially similar data, though in a different manner, in RM2009-1, applied to FY2007 data, and in ACR2008, applied to FY2008 data.⁴

Table 1 below shows, for different classes of mail, the volumes of non-carrier route flats in respectively FY2005 (base year in Docket No. R2006-1), FY2007 and FY2008. It also shows compilations of MODS EOR (end of run) counts for flats receiving incoming secondary sorting on AFSM 100 or UFSM 1000 machines. The volume of Priority flats in FY2005 is missing since it was not provided by Mr. Miller. The data clearly show that the non-carrier route flats volume declined significantly (by about 2 billion) between FY2005 and FY2007, and that a much sharper decline, of almost 4 billion, occurred between FY2007 and FY2008.

Table 1 also shows a much smaller decline in the MODS counts of flats sorted to incoming secondary on machines. That would also seem to indicate that a much smaller portion of the flats sorting is done manually.

⁴ See rebuttal testimony of Michael W. Miller, USPS-RT-8 in Docket No. R2006-1, particularly Attachment 2. Miller did not attempt to estimate an "Auto/Mech" factor; in fact he argued that none was necessary. The data he introduced did, however, indicate that the percent of non-carrier route flats being sorted manually in the incoming secondary probably was less than the 44% that had been suggested by witness McCrery in response to an MPA interrogatory.

Table 1: RPW Estimates of Non-Carrier Route Flats Vs. MODS Estimates Of Mechanized Flats Incoming Secondary Sorting (1000's)			
	BY05 (R2006-1)	FY2007	FY2008
RPW Non-CR flats:			
First	4,481,821	4,080,168	3,462,792
Priority		276,684	261,353
Periodicals	4,445,375	3,868,840	3,615,075
Standard	14,025,889	12,859,572	10,007,559
Package Services	302,880	347,038	312,427
Total	23,255,965	21,432,303	17,659,206
MODS Mechanized IS (EOR)	16,313,416	15,920,902	15,336,081
Percent To Manual Only facilities:	12.12%	12.12%	12.12%
Percent Mechanized IS			
Overall	70.1%	74.3%	86.8%
In Auto/Mech Facilities	79.8%	84.5%	98.8%

For example, in FY2007, assuming that the RPW and MODS numbers are complete and accurate, 74.3% of all flats requiring incoming secondary sorting were sorted on machines, with the remaining 25.7% being sorted manually. But in FY2008, only 13.2%, just a little more than half the FY2007 number, were sorted manually, from which one might be led to expect that the costs of manual incoming secondary sorting also would have been cut in half.

About 12.12% of flats are believed to destinate at SCF's that are equipped with no machine sorting capability for flats. Those flats can of course only be sorted manually. Considering only flats destinating at facilities with sorting machines, one might therefore conclude that, in FY2007 for example, $0.743/(1-0.1212) = 84.5\%$ would be machine sorted. This is the "Auto/Mech" ratio described in the Postal Service's proposal. In FY2008 it came to 98.8%, as Table 1 shows. In FY2005 it would have been 79.8% based on Table 1, but somewhat lower if the Priority Mail flats volume from that year were also included.⁵

Whether the Table 1 data are accurate or not, they clearly demonstrate that manual flats sorting costs should have dropped dramatically in FY2008. Unfortunately they did

⁵ The 12.12% comes from the "coverage factors" that have remained unchanged through several versions of the flats mail flow models.

not, as shown below.

B. UNIT COSTS OF MANUAL FLATS SORTING ATTRIBUTED TO PERIODICALS SHOW NO SIGN OF A SHARPLY REDUCED NEED FOR SUCH SORTING

Almost all manual flats sorting costs, as attributed by IOCS, are included in three cost pools, described below. Table 2 shows the unit costs attributed to Outside County Periodicals in each pool, under PRC costing, as determined for three different periods:

- Test Year 2008, as defined in the R2006-1 rate case;
- FY2007, as reported in ACR2007; and
- FY2008, as reported in ACR2008.⁶

For comparability, the costs have been wage adjusted so that all columns assume the FY2008 mail processing wage rate used in ACR2008.⁷

Cost Pool	TY08 (R2006-1)	FY2007	FY2008
NONMODS MANF	1.938	2.132	2.265
MODS 43 LD43	0.907	1.083	1.141
MODS 14 MANF	0.638	0.879	0.809

1. NonMODS MANF.

Most manual flats sorting occurs in NonMODS post offices where costs are reported in the NonMODS MANF pool. Incoming secondary is the only flats sorting operation

⁶ See spreadsheet pages "CRA FLATS" in respectively FlatsModel-Stralberg-updated.xls in PRC LR 14, Docket No. R2006-1, PER OC flats07ACRv011608 errata.xls in USPS LR 11, ACR2007 and PER OC flts.xls in USPS LR 11, ACR2008.

⁷ For example, the mail processing wage rate used for TY08 in the R2006-1 Decision was \$38.185 per hour. But the real average wage rate in FY2008, according to ACR2008, was only \$37.244. The TY08 costs were therefore multiplied by a factor equal to 37.244/38.185 in order to be comparable with the FY2008 costs.

performed in these offices. In FY2008 these costs were higher, in constant dollars, than the year before, when they were already higher than in FY2005. Note that the 2.265 cents per piece is obtained by dividing total Outside County costs in this pool by the total Outside County piece volume, which was 7.687 billion in FY2008. But since 52.4% of Outside County flats were carrier route presorted, not needing incoming secondary sorting, the cost per non-carrier route flat was actually more than twice as large.

In FY2008, NonMODS MANF was the second largest Periodicals cost pool, second only to the Platform cost pool.⁸ That it increased in FY2008, when presumably manual flats sorting in general almost disappeared, is a major disappointment. The failure of these costs to decline when it appears that they should have should be investigated.

Another way to look at these FY2008 costs is as follows. Multiplying with the Outside County volume, we get about \$174.1 million spent on this one manual operation in these offices. In the flats mail flow model, a piggyback factor of 1.382 is applied to the direct mail processing wage costs at NonMODS MANF. That means $\$174.1/1.382 = \125.977 million in direct wage costs were attributed to Periodicals by IOCS/CRA.

The average hourly mail processing wage rate in FY2008 was \$37.244. For Periodicals a “premium pay” multiplying factor of 1.01248 was applied to the wage costs attributed by IOCS. That means the attributed costs correspond to approximately $124.977/(37.244*1.01248) = 3.314$ million workhours having been spent sorting Periodicals flats manually in NonMODS offices.

Finally, the Periodicals mail flow model assumes (based on MODS data) a NonMODS MANF productivity rate of 394 pieces per workhour, which would mean that about 1.306 billion flats would have been sorted in these offices alone. According to Table 1 above that is 36.4% of all non-carrier route Periodicals flats, and far more than the percent of such flats that according to Table 1 should need manual sorting.

⁸ By contrast, in the case of Standard non-carrier route flats, the AFSM pool, representing automated flats sorting, was over 2.5 times as large as the NonMODS MANF pool, confirming that Periodicals flats are far more likely to be sorted manually and less likely to receive automated sorting, than are Standard flats. See spreadsheet page “CRA Flats” in Std Reg flts.xls, USPS LR 11, ACR2008.

2. LR43.

This pool represents manual processing costs incurred at stations and branches of MODS offices. In the Periodicals flats model it is assumed that 50% of the Periodicals costs in this pool represent incoming secondary flats sorting while the rest includes various activities such as platform work, bundle sorting, etc. In Appendix B to Time Warner's RM2008-2 initial comments I showed reasons to believe, based on analysis of FY2007 IOCS tallies, that the true percentage of these costs that consists of flats sorting may be considerably higher, at least 75% of the total. See note 15 at B-13 of the Time Warner comments. I have not repeated that analysis on FY2008 data, but I assume the result would be approximately the same.

In any case, the fact that LD43 Periodicals costs in FY2008 were higher (in constant dollars) than in FY2007, when they were higher than in FY2005, seems inconsistent with the belief that manual incoming secondary flats sorting has declined to the point of almost disappearing in FY2008.

3. MODS MANF

This pool represents all manual flats sorting performed in the MODS processing plants. Costs in this pool include manual primary and secondary as well as incoming primary flats sorting, in addition to some incoming secondary sorting. It is not known what portion of the Periodicals costs in this pool represents incoming secondary sorting, but presumably those costs are small, since most manual incoming secondary flats sorting traditionally has been performed in the DDUs.

A review of the MODS summary data for FY2005, 2007 and 2008 shows a massive decline in the total incoming secondary flats sorting performed at the plants. Manual Incoming secondary flats TPH was 1.367 billion in FY2005, but declined to 0.646 billion in FY2007 and only 0.33 billion in FY2008.⁹ However, there is no corresponding large drop in Periodicals costs.

Although Periodicals costs in this pool declined slightly in FY2008, the decline is smaller than the increases in the LD43 and NonMODS MANF pools. This is not consistent with the belief that there should have been a sharp drop in manual flats sorting.

⁹ See spreadsheets YRscrub2005.xls, YRscrub2007.xls and YRscrub2008.xls in USPS LR's 56 from R2006-1, 23 from ACR2007 and 23 from ACR2008.

It is also difficult to see any explanation for these costs being significantly larger than in FY2005. With sharply reduced volumes and no reduction in flats sorting capacity, one would expect a reduction in all manual flats sorting, not only for incoming secondary but for other flats sorting operations as well.

C. THERE ARE SEVERAL REASONS WHY TABLE 1 MAY NOT GIVE AN ACCURATE ESTIMATE OF THE AUTO/MECH PERCENTAGE

The following discussion is in no way meant to invalidate the conclusion which can be drawn from Table 1 that, with reduced flats volumes in all classes, the need for the Postal Service to sort flats manually is sharply reduced. In fact there seems to be little reason to doubt that there really has been a reduction in manual flats sorting.

There are, however, several reasons, described below, why the methodology proposed by the Postal Service as Proposal 12 in RM2009-10, and earlier in RM2009-1, is unlikely to be accurate. For those reasons, as well as the highly counterintuitive failure of manual sorting costs to decline, as described above, I would recommend that the Commission keep the current 85% factor at least until the various issues raised here have been resolved.

1. The MODS system is not class-specific.

It is impossible to know which portion of the flats measured by MODS at incoming secondary operations were Periodicals flats. An "Auto/Mech" factor derived from MODS data will therefore, even if it were accurate for flats in general, not be accurate with regard to Periodicals. As Section D below demonstrates, Periodicals flats are more likely to be sorted manually than are Standard flats. A factor estimated by ignoring class differences will therefore most likely be too low.

2. Not all flats are machinable.

The methodology illustrated in Table 1 does not account for flats that are non-machinable and therefore will be sorted manually no matter how much machine capacity may be available. In fact, assume that:

- (a) 98.8% of non-carrier route flats in FY2008 received incoming secondary machine sorting if their destinating SCFs had mechanized/automated flats sorting capability; and

- (b) more than 1.2% of the flats in FY2008 were non-machinable.

This appears to be the type of illogical result about which the Commission expressed concern in its ACR2008 determination.

It is true that flats machinability refers to machinability on AFSM 100 machines, and that most non-machinable flats can be processed on UFSM 1000 machines, which have a manual keying mode that is not much faster than manual sorting. But UFSM machines are not available in all locations (only in about two thirds according to the “coverage factors” used in the Periodicals mail flow model). Additionally, as I explained in detail in my R2006-1 testimony, non-machinable flats requiring incoming secondary sorting will normally be sorted manually, even if UFSM machines are available.¹⁰

In Appendix C of the Addendum to Time Warner’s RM2008-2 comments, I pointed out that the non-machinability percentages used in the mail flow model may not be accurate and needed to be verified. But it is almost certain that more than 1.2% of Periodicals flats are non-machinable, and for that reason alone the 98.8% “Auto/Mech” factor that would result from Table 1 cannot be correct.

3. There may be more pieces needing incoming secondary flats sorting than the numbers in Table 1 allow for.

The RPW flats volumes listed in Table 1 may not be the only flats that are processed in incoming secondary operations. For example:

There were over 23 billion ECR flats in FY2008. Some of them – how many is not known - would have undergone flats sorting, including incoming secondary sorting, for reasons such as bundle breakage. That this must have occurred can be seen from the fact that IOCS assigned costs to ECR in each of the cost pools listed in Table 2 above, as well as in the AFSM and UFSM cost pools.¹¹

If, for example, one were to assume that 5% of the ECR flats end up requiring piece

¹⁰ See Docket No. R2006-1, TW-T-2 at 14-18 (filed September 6, 2006). Note that FY2008 MODS data confirm, as did the FY2005 data I referred to in my R2006-1 testimony, that almost all UFSM 1000 incoming secondary sorting is performed in the automated feed mode, rather than the manual keying mode that would be used for non-machinable flats.

¹¹ See, for example, the cost attributions in USPS-FY08-7 part1.xls, USPS library reference 7, ACR2008.

sorting, that alone would reduce the Table 1 estimate of the FY2008 “Auto/Mech” factor from 98.8% to 92.8%.

Table 1 also does not include incoming international flats, some of which would undergo incoming secondary sorting. Nor does it include flats that may have been rerouted due to sorting mistakes or incorrect address. Nor does it include mail pieces of other shapes, e.g., non-machinable letters, that easily could find their way into the flats mailstream.

D. PERIODICALS FLATS GET MUCH MORE MANUAL SORTING AND LESS AUTOMATED SORTING THAN DO STANDARD FLATS

There is no direct way to determine the number of flats of a given class that are processed in a given type of sorting operation. The MODS system, which estimates total volumes processed (TPH) at piece sorting operations, is not class-specific. In NonMODS offices and at stations and branches there does not even exist a way to determine the total number of flats sorted.

However, some information about differences in how different products are processed can be obtained by viewing costs attributed to them at different operations (cost pools) by IOCS/CRA. Table 3 below compares the unit costs at automated, mechanized and manual flats sorting cost pools for non-carrier route Periodicals flats versus non-carrier route Standard flats.

Cost Pool	Per Outside County Flat	Per Outside County Non-Carrier Route Flat	Per Standard Non-Carrier Route Flat
Auto/Mechanized:			
AFSM 100	2.256	4.699	6.151
UFSM 1000	0.555	1.157	0.913
Manual:			
NONMODS MANF	2.265	4.718	2.366
MODS 43 LD43	1.141	2.377	1.253
MODS 14 MANF	0.809	1.685	0.604

The main cost pool for automated sorting is the AFSM 100. A separate cost pool exists for automated/mechanized flats processing at UFSM 1000 machines. The three main cost pools for manual flats distribution are described in Section B above.

The unit costs per cost pool for Outside County Periodicals, obtained from the Periodicals mail flow model, represent the total costs attributed to Outside County in each pool, divided by the total number of Outside County flats. These unit costs are shown as FY2008 cents per piece in the first column in Table 3. But 52% of these flats are carrier route presorted and normally need no piece sorting. The next column shows the unit costs per non-carrier route flat, obtained by dividing the numbers in the first column by 1-0.52 or 0.48. The third and last column shows the unit costs per cost pool for non-carrier route Standard flats, obtained from the Standard flats mail flow model.

There are many similarities between non-carrier route Periodicals and non-carrier route Standard flats. Both come mostly in 5-digit bundles with most of the remaining volume in 3-digit bundles. They are often processed together both in automated and manual operations. One would expect both to have roughly similar unit costs, with perhaps the higher average weight of Periodicals flats causing their costs to be somewhat higher.

But as Table 3 shows the costs are not similar at all. At the AFSM cost pool, Standard costs are much higher, indicating that Standard flats are much more likely to be sorted on these machines. And in the manual cost pools, Periodicals costs far exceed those attributed to Standard flats, indicating that Periodicals flats are much more likely than Standard flats to be processed manually. In the MODS plants, Periodicals per-flat manual costs are almost 2.8 times as large as the corresponding costs for Standard flats (1.685 versus 0.604 cents per piece). And in NonMODS offices, where most manual flats sorting occurs, the per-flat costs for Periodicals are more than twice the Standard costs.

There may be many reasons for the large discrepancies illustrated above. Standard flats generally are lighter and have more flats per bundle, thereby facilitating bundle preparation. Facility managers may therefore tend to favor Standard flats in order to be able to show higher AFSM productivity. That would make it more likely for Periodicals to be sent to manual sorting in the DDUs, where per-piece productivity is not measured. But in FY2008 there were so few flats that, according to the RPW/MODS data in Table 1, there should have been no need to send any flats to manual processing, there being enough machine capacity for both.

Another reason might be concern by facility managers about Periodicals service standards, which could cause Periodicals to be sent for manual sorting. But this also would mainly be a concern if there were insufficient capacity for all flats to be machine sorted. That also should not have been a problem in FY2008, when there appears to have been enough machine capacity for both.

One might argue that both the manual sorting costs for Periodicals and those for Standard flats in FY2008 were too high, and that those costs simply reflect a large overcapacity in postal facilities, caused by sharply reduced volumes. Whatever the reasons for these high costs are, they clearly hit Periodicals even more than they hit the Standard flats.

E CONCLUSIONS

I have shown above several discrepancies that prove estimation of the “Auto/Mech” factor for Periodicals flats incoming secondary sorting is not as simple as the Postal Service has suggested.

But the precise value of this factor is after all a fairly minor issue. Of far more importance is the observation that in FY2008, when flats volume was so low that almost all of it should have fit on the sorting machines, and perhaps did, the Postal Service’s costing system still attributed very large costs for manual sorting of Periodicals flats, particularly in NonMODS offices but also in stations and branches of MODS offices.

For example, \$174 million of manual incoming secondary sorting in NonMODS offices alone were charged to Outside County Periodicals, enough to sort over 1.3 billion flats according to MODS productivity rates, at the same time that the Postal Service’s MODS and RPW data suggest that such manual sorting was almost eliminated in FY2008.

One can form many theories as to exactly how this could have happened. I believe one conclusion must be that not all of these costs should have been attributed to Outside County Periodicals, or to any other class for that matter. Consequently, I believe one also must conclude that the cost coverage of Outside County Periodicals is not as low as the ACR2008 report indicated.

I believe a thorough examination of the IOCS/CRA methodology, involving both the Commission and the Postal Service, would be appropriate in order to determine exactly how these costs came to be attributed to Periodicals and what corrections need to be

made.

The Postal Service clearly is in a situation with large excess capacity, worsened by the economic slowdown. Unless drastic steps are taken it will have even more excess capacity when the FSS are deployed, because under FSS the manual flats sorting in NonMODS offices and stations and branches is supposed to disappear except for very small residual volumes, while many of the employees who used to do this work are likely to still be there. Operationally, the Postal Service faces major challenges in bringing its processing capacity in line with current mail volumes and machine capacities. But it makes little sense to attribute the costs of carrying so much extra capacity as if it were being caused by Periodicals, or by any other class.