

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

EVOLUTIONARY NETWORK DEVELOPMENT
SERVICE CHANGES, 2006

Docket No. N2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO VALPAK INTERROGATORY REDIRECTED FROM WITNESS WILLIAMS
(VP/USPS-T2-10)
(July 14, 2006)

The United States Postal Service hereby submits an institutional response to the following interrogatory of Valpak, filed on June 16, 2006: VP/USPS-T2-10. The interrogatory has been redirected from witness Williams to the Postal Service for response. The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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TO INTEROGATORY OF VALPAK
REDIRECTED FROM WITNESS WILLIAMS**

VP/USPS-T2-10.

Please refer to your responses to VP/USPS-T2-1 and VP/USPS-T2-3, as well as to USPS Library Reference N2006-1/7. In your response to VP/USPS-T2-1, you state that “[e]fficiency gains are expected to come from consolidating certain operations into fewer locations and better utilizing available capacity.” In your response to VP/USPS-T2-3 you state “utilization will increase and idle time will decrease for similar equipment at the gaining facility....”

- a. Please assume that, in the course of a year, the gaining facility increases utilization of its equipment by, say, 500 hours, and idle time on similar equipment at the losing facility increases by 500 hours. Under such conditions, please explain why and how consolidation is expected to result in net efficiency gains.
- b. The “Highlights” page (unnumbered) of the GAO Report in library reference USPS-LR-N2006-1/7 indicates that, during FY 2004, the average hourly pieces handled per person in “small” plants was 1,970 pieces, in “medium” plants it was 1,700 pieces, and in “large” plants it was only 1,495 pieces. In light of these data, and the fact that higher productivity generally indicates lower unit costs, please explain further why, in general, the Postal Service expects consolidation from smaller plants into medium or larger plants to result in efficiency gains.

RESPONSE

These questions are premised upon a common misreading of the implications of the GAO Report. For clarification, please review the responses to OCA/USPS-36, Question 6 of POIR No.2, and VP/USPST1-17.