

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

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAYMAN TO INTERROGATORIES OF
THE ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-T9-17, 18(a)-(i), 19(a)-(f), 20-22(b), 22(d), (e), (f)(in part),
23(a)(in part), 23(b)-28))

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of the Alliance of Nonprofit Mailers: ANM/USPS-T9-17, 18(a)-(i), 19(a)-(f), 20-22(b), 22(d), (e), (f)(in part), 23(a)(in part), 23(b)-28, filed on February 10, 2000. Objections to interrogatories ANM/USPS-9-18(j) and (k), 19(g) and (h), 22(c) and (f) in part, and 23(a) in part were filed on February 22, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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February 29, 2000

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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ANM/USPS-T9-17. Exhibit USPS-9P, pages 1-2, attached to your testimony, under FY 1999, indicates that Prior Year Workyears for FY 1998 amounted to 909,578.

- a. Please provide the average employment reported for FY 1998 for (i) regular (ii) casual and (iii) transitional employees.
- b. Please reconcile the 909,578 workyears for FY 1998 with actual employment reported to FY 1998.
- c. The FY 2001 After Rates section in Exhibit USPS-9P shows a decline in workyears of 13,597 from FY 2000. If this projected decline in workyears were to be realized, how many fewer employees would be on the payroll in FY 2001?

RESPONSE:

- a. The number of career, transitional and casual employees on rolls at the end of FY 97 and 98 is reflected in the following table. This information can be found on page 76 of the 1998 Annual Report of the Postmaster General.

Employee Type	FY 97 EOY	FY 98 EOY	FY 98 Avg
Career	765,174	792,041	778,608
Transitional	26,789	17,222	22,006
Casual	32,615	25,711	29,163

- b. The number of employees is not the same as the number of workyears and can only be reconciled intuitively. The number of employees represents a physical count at a point in time. The number of workyears represents the number of

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ANM/USPS-T9-17. continued

hours divided by a standard measure (2080 hours for most types of employee). Part time employees count as one employee but only count as part of a workyear depending on the number of hours that accrue to each employee. On the other hand, some employees may result in more than one workyear, due to overtime and holiday work. Another difference results from that fact that some employees may be on the rolls during the period the count of employees is made and are therefore counted in the number of employees, but may not work for some part of the year thereby resulting in less than one workyear. This would also apply to an employee hired near the end of the year. Such an employee would be counted as 1 employee at the end of the year but would generate less than one workyear.

- c. Due to the timing and other issues I have discussed in the response to part b., I am unable to say.

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ANM/USPS-T9-18. Please refer to LR-I-126, page 6, paragraph on "Flat Sorter Machine (FSM) 1000 (Phase II)".

- a. Before issuing a purchase order for the 240 FSM 1000s, Phase II, was a Decision Analysis report ("DAR") prepared for Postal Service management or the Governors?
- b. If your answer to preceding part (a) is negative, please explain why a DAR was not prepared.
- c. If your answer to preceding part (a) is affirmative, provide the estimated workhour savings projected for clerks in the DAR .
- d. If the projected workhour savings for clerks in the DAR differs from the projected workhour savings shown in LR-I-126, please explain why they differ.
- e. If your answer to preceding part (a) is affirmative, provide the estimated increase in workhours projected for maintenance in the DAR.
- f. If the projected increase in maintenance workhours in the DAR differs from the projected increase shown in LR-I-126, please explain the difference.
- g. Confirm that for FY 1999 the net savings per FSM 1000 is estimated to be 3,787.5 hours (4,150 hours for clerks less 362.5 hours for maintenance). If you do not confirm, please explain fully.
- h. Do the estimated workhour savings for clerks and the workhour increases for maintenance represent (i) direct workhours only, or (ii) direct workhours plus indirect supervisory and administrative time which are normally piggybacked on direct workhours? If piggybacks are excluded, please explain why it is not appropriate to include them in the savings estimates which you provide for the roll-forward model.
- i. In FY 1999, what was the effective average hourly wage rate for (i) clerks and (ii) maintenance personnel?
- j. Please produce any DAR identified in response to part (a) of this question.
- k. Please produce documentation sufficient to verify your responses to parts (b) through (i) of this question.

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ANM/USPS-T9-18. continued

RESPONSE:

- a. Yes, a DAR was prepared.
- b. See response to (a) above.
- c. The DAR included estimated workhour savings for clerks of 1.17 million.
- d. Workhour savings shown in LR-I-126 reflect incremental savings whereas workhour savings reflected in DARs represent total savings of the program.
- e. The DAR included an increase in workhours for maintenance of 147,000.
- f. See response to part d) of this question.
- g. Confirmed.
- h. Estimated workhour savings are reflected for direct workhours only. It was not anticipated that supervisory and administrative time would be impacted. However, a benefit of the FSM 1000 would be better management control through more visible staffing requirements, real-time display of operational data, and the automated generation of management reports.
- i. See Chapter VIII, Section E of LR-I-127.

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ANM/USPS-T9-18. continued

- j. Objection filed February 22, 2000.
- k. Objection filed February 22, 2000.

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ANM/USPS-T9-19. Please refer to LR-I-126, page 6, paragraph on Advance Flat Sorter Machine (AFSM) 100.

- a. Before issuing a purchase order for the AFSM 100s, was a Decision Analysis report ("DAR") prepared for management or the Governors?
- b. If your answer to preceding part (a) is negative, please explain why a DAR was not prepared.
- c. If your answer to preceding part (a) is affirmative, provide the estimated workhour savings projected for clerks in the DAR.
- d. If the projected workhour savings for clerks in the DAR differ from the projected workhour savings shown in LR-I-126, please reconcile the difference.
- e. If your answer to preceding part (a) is affirmative, provide the estimated increase in workhours projected for maintenance in the DAR.
- f. If the projected increase in maintenance workhours in the DAR differs from the projected increase shown in LR-I-126, please reconcile the difference.
- g. Please produce any DAR identified in response to part (a) of this question.
- h. Please produce documentation sufficient to verify your responses to parts (b) through (f) of this question.

RESPONSE:

- a. Yes, a DAR was prepared..
- b. See response to (a) above.
- c. The DAR included estimated workhour savings for clerks of 3.7 million for the first full year of operation.
- d. Workhour savings shown in LR-I-126 reflect incremental savings whereas workhour savings reflected in DARs are based on the first full year of

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ANM/USPS-T9-19. continued

operation.

- e. The DAR included an increase of 491,000 workhours for maintenance for the first full year of operation.
- f. See response to part d) of this question.
- g. Objection filed February 22, 2000.
- h. Objection filed February 22, 2000.

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ANM/USPS-T9-20. Please refer to LR-I-126, page 6.

- a. For the AFSM 100, please confirm that the estimated workhour savings (+)/cost(+) per machine are as follows:

	FY 2000	FY 2001	Total
Clerk hours	-118.8	-2,500.0	-2,618.8
Maintenance hours	+50.0	+377.5	+427.5
Net	-68.8	-2,122.5	-2,191.3

If you do not confirm, please explain and provide the correct data.

- b. Please confirm that the estimated workhour changes in FY 2000 and FY 2001 span a full year of savings and costs. If you do not confirm, please explain and provide the appropriate data for a full year.
- c. Please provide the source of the 1,086 FSM 100s used in your computations, and reconcile this number with purchase and deployment of 575 AFSM 100s (175+400) discussed by witness Kingsley, USPS-T-10, at p. 11.

RESPONSE:

- a. Savings per the AFSM 100 was revised in errata filed on February 18, 2000 to page 6 of LR-I-126.

	FY 2000	FY 2001	Total
Clerk hours	-745.7	-15,693.6	-16,439.3
Maintenance hours	+294.8	+2,369.9	+2,664.7
Net	-450.9	-13,323.7	-13,774.6

- b. The estimated workhour changes in FY 2000 do not span a full year whereas estimated workhour changes in FY 2001 do span a full year. Savings in FY 2000 are impacted by the machine deployment schedule, accordingly, FY 2001

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ANM/USPS-T9-20. continued

savings are representative of a full year impact.

c. Please see errata filed on February 18, 2000 to page 6 of LR-I-126.

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ANM/USPS-T9-21. Please refer to ANM/USPS-T9-18 (g) and ANM/USPS-T9-19(b). Please explain why the FSM 1000, which has a throughput of 5,000 pieces per hour (see USPS-T-10, p. 11), has an estimated net reduction of 3,787.5 hours per machine, while the AFSM 100, which has a throughput of about 17,000 pieces per hour (see USPS-T-10, p. 11) has an estimated net reduction of only 2,191.3 hours per machine.

RESPONSE:

Please note that the savings per the AFSM 100 was revised in errata filed on February 18, 2000 to page 6 of LR-I-126; the savings per machine is 13,324 hours. Additionally, net equipment savings are impacted by the equipment deployment schedule. Deployment of the AFSM 100 is scheduled to begin in FY 2000 and continue until November 2000. On the other hand, the FSM 1000 program was fully deployed in Quarter II of FY 99.

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ANM/USPS-T9-22. Please refer to LR-I-126, page 18.

- a. Please explain why the section "Accelerate FSM Into 2001" shows a projected savings of 29,727.3 hours per machine, while the initial buy discussed on page 6 shows a projected savings of only 2,618.8 clerk hours per machine (see ANM/USPS-T9-20a).
- b. Have the additional 44 machines discussed in preceding part (a) been approved for purchase by the Governors?
- c. Are any of the projected savings discussed in preceding part (a) contained in a Decision Analysis report ("DAR") that has been submitted to management or the Governors? If so, please produce the DAR, along with any correspondence, memoranda or other documents relating to the DAR.
- d. Please explain why the section "Additional Advanced Flat Sorter Machine (AFSM) to Upper Bound" projects savings of 43,181.8 hours per machine, while the initial buy discussed on page 6 shows a projected savings of only 2,618.8 clerk hours per machine.
- e. Have the additional 44 machines discussed in preceding part (d) been approved for purchase by the Governors?
- f. Are any of the projected savings discussed in preceding part (d) contained in a Decision Analysis report ("DAR") that has been submitted to management or the Governors? If so, please produce the DAR, along with any correspondence, memoranda or other documents relating to the DAR.
- g. Explain why a second buy of an additional 44 machines should save 45 percent more work hours (43,181.8/29,727.3) than the immediately preceding buy.

RESPONSE:

- a. Please note that the savings per the AFSM 100 for clerks was revised in errata filed on February 18 to page 6 of LR-I-126; clerk savings per machine is 15,694 hours.

Savings differences still exist since the Phase I purchase is to supplement current FSM

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ANM/USPS-T9-22. continued

capacity (thereby reducing manual flat volumes) and the Phase II purchase will be to replace existing FSM 881s.

- b. No.
- c. Objection filed February 22, 2000.
- d. The referenced savings of 2,618.8 clerk hours per machine is not contained on page 6 of LR-I-126. This amount was apparently calculated by summing the clerk savings in FY 2000 and FY 2001. As explained in my response to part a) of this question, errata filed to page 6 on February 18 modified the per machine savings. The initial savings were based on an established ROI and competitive testing. Given the additional experience with the pre-production AFSM and an additional challenge to the field to increase productivity, we have increased the test year savings on the 44 additional AFSM purchases to the equipment's maximum throughput specifications.
- e. No.
- f. A DAR has not been submitted.
- g. See my response to parts a) and d) of this question.

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ANM/USPS-T9-23. Please refer to LR-I-126, page 6, paragraph on "Carrier Sort Bar Code Sorter (CSBCS)-3,144."

- a. Before issuing a purchase order for the 3,144 CSBCSs, was a Decision Analysis report ("DAR") prepared and submitted to management and to the Governors for their review? If so, please produce the DAR, along with any correspondence, memoranda or other documents relating to the DAR.
- b. If your answer to preceding part (a) is negative, please explain why a DAR was not prepared.
- c. If your answer to preceding part (a) is affirmative, provide the estimated workhour savings projected for clerks in the DAR.
- d. If the projected workhour savings for clerks in the DAR differ from the projected workhour savings shown in LR-I-126, please reconcile the difference.
- e. If your answer to preceding part (a) is affirmative, provide the estimated increase in workhours projected for maintenance in the DAR.
- f. If the projected increase in maintenance workhours in the DAR differs from the projected increase shown in LR-I-126, please reconcile the difference.

RESPONSE:

- a. Yes, a DAR was prepared. Objection filed February 20, 2000.
- b. See response to (a) above.
- c. There are no workhour savings for clerks included in the DAR. The narrative on page 7 inadvertently identified "carrier" savings in FY 1999 as "clerks" savings. Exhibit E properly reflects the savings as "carriers."
- d. See response to part c) above. Please note that costs contained in LR-I-126 are incremental.

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ANM/USPS-T9-23. continued

- e. The estimated increase in workhours for maintenance included in the DAR based on the first full year of operation was 711,000. DARs are prepared as of a given point in time and are used to evaluate investment opportunities. The fact that there are no incremental workhours for maintenance for this program included in LR-I-126, implies that in FY 1999, this equipment was in full operation.
- f. See response to (e) above. Please note that costs contained in LR-I-126 are incremental.

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ANM/USPS-T9-24. Please refer to LR-I-126, page 7, DBCS Additional Capacity (Part A).

- a. Please confirm that savings/costs per machine are estimated to be as follows:

	FY 2000	FY 2001	Total
Clerks	-416.3	-861.0	-1,277.3
Carriers	-553.0	-383.2	-936.2
Maintenance	+120.5	+118.0	+238.5
Net	-848.8	-1,126.2	-1,975.0

If you do not confirm, please explain and provide the correct data.

- b. Explain why in FY 2000 clerk time is reduced by 0.75 hours per one hour reduction in carrier time, (416.3/553) whereas in FY 2001, clerk time is reduced by 2.25 hours per one hour reduction in carrier time (861/383.2).

RESPONSE:

- a. The savings and costs per machine are consistent with LR-I-126, page 7, DBCS Additional Capacity (Part A).
- b. Savings reflected in LR-I-126 represent incremental savings. Accordingly, as equipment is deployed in the first year, there is a learning curve. The savings potential often varies by craft within and between years as demonstrated in this program.

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ANM/USPS-T9-25. Please refer to LR-I-126, pages 16-17, Delivery Confirmation.

- a. Confirm that the data you provide show workhour savings(-)/costs(+) as follows:

	FY 1999	FY 2000	FY 2001
Clerks	+152,000	+256,000	+336,000
		-118,000	
Carriers	+361,000	+498,000	+670,000

If you do not confirm, provide the correct data and explain all differences.

- b. Explain why there are both costs and savings of clerk hours in FY 2000.
- c. Do the figures given here for carriers represent annual total amounts, or annual net incremental amounts? That is, are estimated carrier hours spent on delivery confirmation in FY 2001 equal to 670,000, or 1,529,000 (670,000+498,000+361,000)?

RESPONSE:

- a. The table shown in part a) of your question reflects the information on workhour savings/costs contained on page 17 of LR-I-126. However, the following table reflects the savings/costs for this program that are contained in Exhibits A – C and E of LR-I-126. The narrative on page 17 inadvertently identified “carrier” savings in FY 2000 as “clerks” savings. Exhibit C properly reflects the savings as “carriers.” The corrected data is shown below:

	FY 1999	FY 2000	FY 2001
Clerks	+152,000	+256,000	+336,000
Carriers	+361,000	+498,000 -118,000	+670,000

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ANM/USPS-T9-25. continued

- b. As stated in response to part a) above, the savings and costs in FY 2000 relate to "carriers." The original 498,000 hours were allocated for workload based on the assumption that carriers would scan pieces at the pick-up point. This scan was subsequently eliminated. Workhours were reduced by 118,000 in FY 2000 to reflect this change.
- c. The figures provided for carriers are incremental.

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ANM/USPS-T9-26. Accounting Period reports for A/P 1, for the FY 1995-2000 indicate the following number of career employees shown in Column 1 below. Please provide annual data for columns 2 and 3 (where "separations" in column 2 include retirements, quits, and separations for any other reason).

Fiscal Year	(1) Career Employees	(2) Less: Separations	(3) Plus: New Hires
1995	730,707		
1996	753,932		
1997	760,750		
1998	765,472		
1999	794,064		
2000	796,961		

RESPONSE:

The data are provided in the following table. Please note that the number of "Separations" and "New Hires" in FY 2000 reflect numbers through the first five Accounting Periods.

Fiscal Year	(1) Career Employees	(2) Less: Separations	(3) Plus: New Hires
1995	730,707	28,295	55,481
1996	753,932	28,145	37,527
1997	760,750	32,428	38,746
1998	765,472	41,139	69,434
1999	794,064	43,565	52,171
2000	796,961	16,355	12,716

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ANM/USPS-T9-27. Please refer to Table 5 at page 7 of your testimony.

- a. Of the total liabilities shown in Table 5, how much reflects (i) current portion of long-term debt, and (ii) other short-term debt used to finance capital improvements?
- b. Provide the statutory restrictions imposed on Postal Service borrowing, (i) for the years shown in Table 5, explain whether and how those restrictions have restrained the Postal Service's capital investment program and (ii) for FY 1999-2001, explain what effect these statutory restrictions are expected to have on the Postal Service's capital spending.

RESPONSE:

- a. The current portion of long term debt for the period in question can be obtained from the balance sheets contained in the FY 89-98 Annual Reports of the United States Postal Service. These reports are available in the U.S. Postal Service Library at 475 L'Enfant Plaza SW, Washington D.C.
- b. Please see my response to ANM/USPS-T9-2 for the current borrowing limits. In addition to the limits specified in that response, the Postal Service is also currently limited to an annual net increase in debt of \$1.0 billion for operating purposes. The current limits were effective beginning with FY 92. For FY 91, the Postal Service was limited to \$12.5 billion total debt, and annual net increases of \$1.5 billion for capital and \$1.0 billion for operations. For FY 90 and prior, the Postal Service was limited to \$10.0 billion in total, and annual net increase of \$1.0 billion for capital and \$500 million for operations. I am informed

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ANM/USPS-T9-27. continued

that capital investments have not been curtailed during the period FY 89 through FY 99 due to borrowing limits. Based on the estimates and assumptions reflected in this filing, I do not believe the current borrowing limits will adversely impact the Postal Service's capital investment program in FY's 2000 and 2001.

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ANM/USPS-T9-28. Please refer to LR-I-126, pages 5-6.

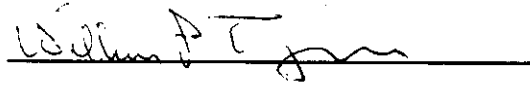
- a. On page 6, under "Flat Sorter Machine (FSM) 1000 Phase II (240)" you state that "the [240] machines come fully integrated with the barcode reader in the production configuration." Do the savings/costs estimates in this section reflect machines that are so equipped? Please explain.
- b. Starting on page 5, under "Flat Sorter Machine (FSM) 1000 Barcode Reader" you compute savings/costs estimates for 339 machines.
 - (i) Please reconcile the 339 FSM 1000 machines with the 338 FSM 1000 machines shown in LR-I-83, page I-12, column 4.
 - (ii) Does the estimated savings/cost for 339 Barcode Readers double count the 240 barcode readers on the fully integrated machines discussed in preceding part (a)? Please explain.

RESPONSE:

- a. The savings and cost estimates do not reflect machines equipped for full integration with the barcode reader in the production configuration. In the future, bar code reader retrofitting and optical character readers are being examined for the FSM 1000, which will allow for more efficient automated processing. If a barcode reader becomes available, sufficient prebarcoded volumes would be required to initiate this mode of operation.
- b.
 - (i) The 338 FSM 1000 machines shown in LR-I-83, page I-12, column 4 is the correct number of machines. The 339 FSM 1000 machines reflected in LR-I-126 should have been shown as 338. The total hour savings/costs reflected in LR-I-126 are correct.
 - (ii) No. These are two separate machine buys.

DECLARATION

I, William P. Tayman, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "William P. Tayman", is written over a solid horizontal line.

Dated: 7.29.2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
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February 29, 2000