

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

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POSTAL RATE COMMISSION
OFFICE OF THE CLERK

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T9-12-17)

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T9-12-17, filed on February 11, 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



Scott L. Reiter

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February 29, 2000

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T9-12. The following refers to USPS-LR-I-127, filename WHRCNV00.xls, worksheet WKHRCONV. Please update the worksheet to reflect the "PFY 1999 ACTUAL WORKHOUR CONVERSION FACTORS."

RESPONSE:

For similar reasons to those discussed in my response to OCA/USPS-T-9-1, the workhour conversion factors for PFY 99 should not be updated without updating all other models which are part of and/or drive the Comprehensive Rollforward Factor Development Model. The attached workpaper reflects actual PFY 99 workhour conversion factors.

PFY 1999 ACTUAL WORKHOUR CONVERSION FACTORS

Attachment to Response
to OCA/USPS-T-9-12

Cells requiring manual entries are shown as

128

	Total NPHSR Ref No	PT NPHSR Ref No	Total Workhours	Total Accrued Hrs	Wkhrs as % of Accr. Hrs	Wkhrs per Wkyr	PT Accrued Hours	PT Accrued Hrs per Wkyr	All Other Accrued Hrs	All Other Accr. Hrs per Wkyr	Wtd Avg Accr Hrs per Wkyr
Clerks A-J	0440,50	0420,30	573,751,232	665,050,957	86.27%	1,780	140,396,456	2,000	524,654,501	2,080	2,063
Mail Handlers	0660	0630,40	128,985,972	149,533,719	86.26%	1,788	13,837,809	2,000	135,695,910	2,080	2,073
Subtotal			702,737,204	814,584,676	86.27%	1,781	154,234,265	2,000	660,350,411	2,080	2,065
City Carriers	0760	0720,30	38,913,246	47,052,975	85.72%	1,773	81,902,175	2,000	465,150,798	2,080	2,068
Rural Carriers	1090		161,750,385	180,038,652	89.84%	1,869			180,038,652	2,080	2,080
Building Service	1170	1120,30	31,486,598	37,421,188	84.14%	1,748	1,455,717	2,000	35,935,471	2,080	2,077
Operating Equipment Maint.	1270	1220,30	32,185,488	37,771,825	85.16%	1,771	26,504	2,000	37,745,121	2,080	2,080
Bldg/Plant Equipment Maint	1370	1320,30	12,245,803	14,700,755	83.30%	1,732	162,024	2,000	14,538,731	2,080	2,079
Vehicle Maintenance	1570	1520,30	10,780,057	12,860,247	83.67%	1,739	177,964	2,000	12,682,263	2,080	2,079
Supervisors	0210		86,274,215	97,829,013	88.19%	1,834			97,829,013	2,080	2,080
Vehicle Drivers	0860	0820,30	17,613,027	20,495,188	85.94%	1,775	3,884,118	2,000	16,811,068	2,080	2,066
Total US Postal Service	2940	1620,30	1,833,719,893	1,891,220,836	86.38%	1,787	263,560,351	2,000	1,837,660,285	2,080	2,069
City Carriers & Rural Carriers			630,663,931	727,091,625	86.74%	1,796	81,902,175	2000	645,189,450	2,080	2,071
Transitionals - City Carriers	0735		2,535,908	2,759,451	95.53%	1,987			2,759,451	2,080	2,080
Transitionals - Clerks	0435		14,500,267	15,187,068	95.48%	1,986			15,187,068	2,080	2,080
Headquarters - Consolidated	2770		5,836,812	6,870,383	84.96%	1,767		2,000	6,870,383	2,080	2,080
Cks A-J & SD Msgrs			573,751,232	665,050,957	86.27%	1,780	140,396,456	2000	524,654,501	2080	2,063
Cks A-J, MH & SDMsgrs			702,737,204	814,584,676	86.27%	1,781	154,234,265	2000	660,350,411	2080	2,065

Source: A/P 13 PFY 1999 YTD National Payroll Hours Summary Report

Workhours are from Line 10.

Accrued Hours are from Line 30.

Part Time hours include both Part Time Regular and Part Time Flexible employees.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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OCA/USPS-T9-13. The following refers to USPS-LR-I-127, filename SPTDC_00.xls. For each worksheet in the file, please update all manual inputs to reflect FY99 actuals and the FY00 Operating Budgeted amounts for the most recently completed accounting period.

RESPONSE:

For similar reasons to those discussed in my response to OCA/USPS-T-9-1, the actual FY 99 and FY 00 budgeted data in SPTDC_00 should not be updated without updating all other models which are part of and/or drive the Comprehensive Rollforward Factor Development Model.

The information requested for each of the separate worksheets in the SPTDC_00 workbook is addressed below.

Cost reductions and other programs (Cost Red & Other Prog) – FY 99
cost reduction and other program workhour savings and costs are not identified separately, but reflected in FY 99 actual expense. If using FY 99 actual as the base, their breakout would not be required. The cost reduction and other program workhours currently included in the FY 2000 budget are reflected on Attachment A to this response.

Non Personnel Other Programs (Non Pers Other Programs) – Field
and Unallocated FY 99 non-personnel other program costs are reflected in FY 99 actual expenses and do not need to be incorporated into the model separately when using FY 99 as the base. The most recent FY 2000 Field and Unallocated

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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OCA/USPS-T9-13. continued

budget non-personnel programs are reflected on Attachment B to this response. Please note that this worksheet is used in conjunction with worksheets contained in LR-I-127 Chapter 6-a, Headquarters Programs & Corporatewide Activities Non-personnel Cost. For the programs listed in Chapter 5-b, the FY 2000 budget would be reflected in an update of Chapter 6-a. There was no change between the estimated incremental amounts for transportation programs for the FY 2000 budget.

Servicewide personnel other programs (Svcwide Pers Other Programs) -Servicewide personnel other programs are reflected in FY 99 actual expenses and do not need to be incorporated into the model separately when using FY 99 as the base. There was no change between the estimated incremental amounts for servicewide personnel other programs for the FY 2000 budget.

Equipment Maintenance Allowance (EMA) – The rural EMA factor worksheet which calculates the EMA cents per mile already reflects actual FY 99 CPI-U PRIVATE TRANSPORTATION INDEX.

Depreciation (Depreciation) – This worksheet is linked to other workbooks and data is not input directly. Several disposition of property accounts are input manually. Updated FY 99 actual for these accounts is

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OCA/USPS-T9-13. continued

provided in the table below. It is worth noting that the actual amounts are very close to the estimate of -38,871,432.

Account	Component	FY 99 Actual
52160	245	-21,136,309
52412	245	79,159
52810	245	-53
54260	245	1,218,277
54270	245	4,130,567
54640	245	-23,243,765
56860	245	-147,631
56930	245	2,065,310
Total		-37,034,445

Also refer to the response to OCA-T-9-3 which provided information regarding FY 99 actual and current FY 2000 estimates relative to depreciation expense. Depreciation expenses is estimated by the Depcal workbook which is linked to the depreciation worksheet in the SPTDC workbook.

Headquarters Personnel Other Programs (HQ Pers Other Prog) – See my response to OCA/USPS-T9-1.

Non Personnel Cost Reductions (Non Pers Cost Reductions) – FY 99 actual non-personnel cost reductions are reflected in FY 99 actual expenses and do not need to be incorporated into the model separately when using FY 99 as the base. With the exception of prior year adjustments for international transportation, there was no change between the estimated incremental amounts for Non-Personnel Cost Reductions for the FY 2000 budget. The

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OCA/USPS-T9-13. continued

revised amount for international transportation is a incremental increase of
\$169,500,000 in FY 2000. See OCA/USPS-T9-1d.

Cost Reductions and Other Programs - FY 2000 Budget																
Operational Programs	2000 Workhours (000)															
	Clerks - CAG A-J			City Carriers			Mailhandlers			Supervisors			Maintenance			Grand
	Savings	Costs	Net	Savings	Costs	Net	Savings	Costs	Net	Savings	Costs	Net	Savings	Costs	Net	Total
RBCS			-	(2,492)		(2,492)			-			-		1	1	(2,492)
ID Code Sort	(185)		(185)	(63)		(63)			-			-		79	79	(168)
DBCSs-Stacker,Add'l Cap.,Phase 4&5, & OSS	(1,749)	122	(1,627)	(6,723)		(6,723)			-			-		202	202	(8,148)
Flat Mail OCR (EC -06)	(1,467)		(1,467)			-			-			-		137	137	(1,330)
AFCSSs add'l 42 Buy	(132)		(132)			-			-			-		59	59	(73)
Small Parcel & Bundle Sorter- 46 & 54	(866)		(866)			-		122	122			-		48	48	(696)
Flat Sorting Machine 1000 Phase 1&2	(85)		(85)			-			-			-		4	4	(81)
Improve RCR, Hand Writing Recg(HIP)&2000	(3,015)		(3,015)			-			-			-		4	4	(3,011)
Automatic Airline Assignment SWYB			-			-	(146)		(146)			-		22	22	(124)
LMLM Linerless Label	(0)		(0)			-			-			-				(0)
REC Consolidation Phase 1 & 2			-			-			-	(111)		(111)	(54)			(165)
Tray Sleever			-			-	(34)		(34)			-		9	9	(25)
Robotics Phase 1			-			-	(149)		(149)			-		13	13	(136)
Tray Management System (TMS)-Phase 3	(128)		(128)			-	(471)		(471)	(10)	54	44		109	109	(446)
Mail Processing (MP) Tag Readers	(7)		(7)			-			-			-				(7)
Dual Pass Rough Cuff 56 Buy			-			-	(56)		(56)			-		9	9	(47)
Universal Transport System		5	5			-			-		5	5		2	2	12
CFS Flats Forwarding Terminal & Control System	(30)		(30)			-			-			-				(30)
SPBS Feed System- (22&37)	(673)		(673)			-			-			-		38	38	(635)
Delivery Confirmation Scanning		172	172		244	244			-			-				416
Corporate Call Management			-			-			-	(51)		(51)				(51)
Mail Transport Equip Service Centers			-			-	(2,486)		(2,486)			-	(384)		(384)	(2,870)
Rehabilitation hours		1,795	1,795			-			-			-				1,795
Local Management Initiative (LMI)	(3,801)		(3,801)	(4,468)		(4,468)			-	(1,351)		(1,351)	(36)		(36)	(9,656)
Total Operational Programs	(12,138)	2,094	(10,044)	(13,746)	244	(13,502)	(3,342)	122	(3,220)	(1,523)	59	(1,464)	(474)	736	262	(27,969)

Field Non Personnel Programs & Unallocated
(\$ 000)

Unallocated	Account	Seg.	Comp.	Incremental FY 00
Point of Service	52359	16	177	-
Point of Service	52331	16	174	-
Point of Service	56605	18	211	-
Point of Service	54165	15	168	-
Point of Service		16	169	-
Corporate Call Management	52331	16	174	-
Corporate Call Management	54101	15	165	-
Corporate Call Management	54151	15	167	-
Corporate Call Management	Var.	18	211	-
Corporate Call Management	54165	15	168	-
Associate Office Infrastructure	Var.	16	177	-
Associate Office Infrastructure	52331	16	174	-
Associate Office Infrastructure	54151	15	167	-
Associate Office Infrastructure	52321	18	210	-
Associate Office Infrastructure	54165	15	168	-
Corporate Call Management	52359	16	177	-
Corporate Call Management	54165	15	168	-
Corporate Call Management	54101	15	165	-
MEI Postal One	52359	16	177	-
HQ Overhead Reduction	52359	16	177	-
Stamp Manufacturing		16	180	-
Mail Trans Equip Support Center	Var.	16	177	-
Mail Trans Equip Support Center	54521	16	175	-
Mail Trans Equip Support Center	54101	15	165	-
				-
Base adjustment		15	169	-
Base adjustment		16	175	-
Base adjustment				-
Inventory Adj's		16	182	-
Delivery Confirmation		16	196	-
Priority Redesign		16	187	-
Base Adjustment		16	177	-
Base Adjustment		18	210	-
Base adjustment		16	184	-
Core Process Management		16	174	-
Absorb additional inflation (HQ S&S)		18	210	(7,000,000)
TACS		16	174	9,500
OWCP Cost Reductions		16	174	(6,668,000)
BMEU Proficiency		16	174	13,540
Ease of Use Measures		16	174	(90,927)
BMEU Curriculum		16	174	880,000
Absorb additional inflation (operating equip.)		16	184	(8,000,000)
Absorb additional inflation (misc. S&S)		16	177	(20,000,000)
Absorb additional inflation (ADP S&S)		16	174	(7,000,000)
Absorb additional inflation (Veh S&S)		12	99	(5,000,000)
Subtotal Servicewide				(52,855,887)
Field	Account	Seg.	Comp.	Incremental FY 00
Environmental Programs	54232	15	169	(35,790,084)
OSHA Reform	52417	15	169	(15,000,000)
Upgrade Class Printing Equipment	52418	16	177	-
Nurses Coordinators Program	52359	16	177	-
Periodical Focus Groups	52323	18	210	200,000
Subtotal FY 96 Field Programs				(50,590,084)

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OCA/USPS-T9-14. The following refers to USPS-LR-I-126, page 19, "Rehabilitation Program Hours." Please explain the basis for the program manager's additional 1,795,000 hour estimate for clerks in FY00. Please provide the actual increase in hours by labor category for FY98, FY99 and the FY00 Operating Budgeted hours for the most recent accounting period.

RESPONSE:

Employees brought back to work under the Rehabilitation Program perform various assignments based on their current abilities as restricted by their injury. Rehab hours are not budgeted by labor category. The actual increase in rehab hours was 1.9 million and 2.0 million in FY 98 and FY 99 respectively. The current budgeted growth for FY 00 is 2.4 million hours.

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OCA/USPS-T9-15. The following refers to USPS-LR-I-126, page 19 to 20, "Customer Address Awareness." The library reference indicates that city carrier hours increased 41,000 hours as a result of the customer address awareness.

- (a) Please explain why city carriers hours increased as a result of a campaign to improve customer use of apartment/suite numbers designed to increase the speed of mail delivery.
- (b) Are city carriers being used to educate the public on address hygiene?
 - (1) If your response to part "b" of this interrogatory is affirmative, please provide all data indicating the success/failure rate city carriers had in going "door to door."
 - (2) Please provide all documents, scripts or other educational tools used by the city carriers during the "customer awareness campaign."
 - (3) Did the Postal Service perform a cost/benefit analysis evaluating the costs of using various forms of advertising versus using city carriers? If so, please provide a copy of the analysis and cite all source documents used. If not, please explain why one was not performed.
- (c) If your response to part "b" of this interrogatory is negative, please explain what caused the estimated increase in city carrier hours for FY99.
- (d) What is the cost impact of including the estimated 41,000 hours of increased city carrier costs on the individual mail class and subclass cost categories for FY00 and FY01 as opposed to increasing USPS advertising costs?

RESPONSE:

- (a) City carrier hours increased because carriers will be required to deliver mail to every address in high rise buildings in order to notify them of the importance of using their correct address including the apartment or suite number. Normally a small percentage of addresses does not require delivery on any given day.
- (b) See my response to (a).

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OCA/USPS-T9-15. continued

- (1) I do not have precise numbers. However, indications are that improvements in addressing have resulted when customers are notified of their correct address and the importance of using it.
 - (2) See the attachment to this response.
 - (3) No. The cost of using city carriers was considered the most efficient since they would be delivering mail to most of the addresses anyway
- (c) See my response to (b).

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OCA/USPS-T9-15. continued

(d) It is my understanding that the distribution of the costs of the 41,000 workhours in the rollforward can be seen on pages 245-246, 257-258 and 269-270 of Volume 1 of 2 of WP-B. This distribution utilizes all the City Carrier components: 43, 44, 45, 46, 48, 49, 50, 52 and 54. Alternatively, to distribute the costs on Advertising (component 246), please see WP-B, Volume 2 of 2, pages 605-606. In words, the costs associated with Customer Address Awareness would be distributed on the Advertising distribution key rather than a distribution key comprised of all the City Carrier components. As this is for FY99, the impact on FY00 and FY01 would be to rollforward the City Carrier components and the Advertising component after the alternative distribution was incorporated.

101 S SANTA FE AVE
FOUNTAIN CO 80817-9998

Dear Postal Customer:

The correct and complete address for this location, according to official postal records, appears below. This may be different from or contain more details than the address you are accustomed to using. For example, you may not be using a suite or apartment number, or you may omit a directional like "SE" or a suffix such as ST, AVE, PLACE or the ZIP+4 Code.



POSTAL CUSTOMER
5180 FONTAINE BLVD
FOUNTAIN CO 80817-1049

The United States Postal Service handles and delivers 198 billion pieces of mail a year - over 600 million per day. To provide accurate and timely postal service, high-speed electronic scanning equipment has become a necessity. This makes using your correct and complete address extremely important. Each item provides information. Most importantly, the final four digits of the ZIP+4 Code indicate which block, building or floor you are on. Including all address elements is vital to accurate processing and delivery,

To ensure accurate and timely delivery, it is very important to make sure all the mail sent to you displays the EXACT address as it appears here. Make sure you are using this address now, so all your mail can reflect your complete address.

Be sure to use the ZIP+4 Code and include all other elements of the above address every time you place your return address on an envelope.

If you have any questions concerning your address as shown above, please contact DANNY CRUZ at (719)382-4625.

Thank you for your cooperation.

Your Postmaster

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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OCA/USPS-T8-16. Please refer to USPS-LR-I-126, page 26, "Stamp Manufacturing." The costs for various supplies and services were estimated to increase by \$40 million for FY01. Please provide a detailed breakout of the \$40 million increase. Identify in your breakout, the cost of producing the "designed non-denominated" and "makeup stamp," as well as an estimate of the volume of First-Class makeup stamps to be printed. If a stamp usage factor other than 100 percent was assumed, please provide the estimated usage factor. For purposes of answering this interrogatory, assume that the Postal Service is granted the one-cent increase in the First-Class letter rate.

RESPONSE:

The \$40 million increase to support the anticipated rate change in FY01 was based on the actual costs of producing rate change stamps in support of the rate increase of 1999. In 1997 and 1998, the Postal Service produced over 15 billion stamps at a cost of \$39.76 million to prepare for the January 1999 rate increase. This volume represents approximately a four-month supply of stamps to allow the Postal Service enough time to produce and distribute a large enough volume of denominated stamps to replace the non-denominated rate change stamps. The volume and cost for the 1999 rate change included:

- a) 12.29 billion prime rate (33-cents) stamps at a cost of \$33,391,290
- b) 2.5 billion make-up rate (1-cent) stamps at a cost of \$4,978,635
- c) 500 million post card rate (21-cents) stamps at a cost of \$1,395,000.

The post card rate stamps were not issued due to the rate not being increased.

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OCA/USPS-T8-17. For the First-Class letter "makeup stamp" that was most recently printed, please provide the following: (1) the production costs, (2) the volume of makeup stamps printed, (3) the quantity sold in the calendar year immediately following its release, and (4) the actual quantity used.

RESPONSE:

- (1) The cost of the make-up rate (1-cent) stamps was \$4,978,635.
- (2) 2.5 billion make-up stamps were printed
- (3) Sales of individual stamps are not currently tracked. The Postal Service distributed all 2.5 billion of the make-up stamps for use, and estimates that approximately 80% were sold
- (4) Use of individual stamps is not currently tracked.

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.

William P. Tayman

Dated: 2-29-2000

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