

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

RECEIVED
MAR 17 4 39 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DEGEN TO INTERROGATORIES OF
THE AMERICAN BANKERS ASSOCIATION/
NATIONAL ASSOC. OF PRESORT MAILERS,
REDIRECTED FROM WITNESS SMITH
(ABA&NAPM/USPS-T21-27)

The United States Postal Service hereby provides the response of witness Degen to the following interrogatories of the American Bankers Association and NAPM: ABA&NAPM/USPS-T21-27, filed on March 3, 2000, and redirected from witness Smith.

The 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



Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
March 17, 2000

Response of United States Postal Service Witness Degen
To Interrogatories of American Bankers Association and National Association of
Presort Mailers
(Redirected from Witness Smith, USPS-T-21)

ABA&NAPM/USPS-T21-27.

- (a) Regarding your use of IOCS labor time distribution keys for distributing mail processing costs, what percentage of the time is the labor running mail of only one rate category through automation equipment?
- (b) What percentage of the time is the labor running mixed rate categories through automation equipment?
- (c) What percentage of the time is the labor running more than one class of mail through the automation equipment?
- (d) For the mixed mail in items b. and c. above, how can the labor time sampled be assured to represent the correct percentages of that mixed mail by class, subclass, or rate category?

ABA&NAPM/USPS-T21-27 Response.

(a)-(c) IOCS tallies data identify, where possible, the class, subclass, and/or "rate category" of the mail (if any) being handled at the time of the reading, but not whether a single rate category or multiple rate categories of mail were being run in the operation. Therefore, data do not exist to compute the requested percentages.

My understanding is the Postal Service's operating procedures normally commingle rate categories within a class of mail. At any given moment, mail of a single rate category might be processed in a particular operation. For example, one or more trays from a given mailing might be worked consecutively on one piece of equipment. Sometimes, mail classes are

Response of United States Postal Service Witness Degen
To Interrogatories of American Bankers Association and National Association of
Presort Mailers
(Redirected from Witness Smith, USPS-T-21)

also commingled. Commingling of mail classes will occur most commonly in schemes where mail is "finalized" (e.g., DPS).


- (d) In general, the appropriate distribution key for a pool of volume-variable labor costs in a given mail processing operation would be the subclass distribution of piece handlings in that operation. However, piece handling data are not available for mail processing operations by class, subclass, and rate category of mail, so distribution keys are formed using IOCS tallies to estimate the proportions of time spent handling mail of various subclasses. The relationship between the time and piece handling proportions was discussed in Dr. Christensen's testimony in the last rate case (see Docket No. R97-1, Tr. 34/18221-18223). The randomness of the IOCS sample ensures that a representative sample of handling time in the automation operations, and thus of the piece handlings, will be obtained. A portion of the handling tallies—the "mixed-mail" tallies—do not indicate the subclass(es) being handled at the time of the reading, and therefore provide incomplete information, but do contain useful information with which the likely subclasses can be inferred. Thus, the distribution of mixed-mail tallies is intended to avoid biased estimates of the subclass distribution of all piece handlings that would result from throwing out the information in the mixed-mail tallies.

Response of United States Postal Service Witness Degen
To Interrogatories of American Bankers Association and National Association of
Presort Mailers
(Redirected from Witness Smith, USPS-T-21)

Note also that the phrase "mixed mail" as you apply it with respect to parts (b) and (c) of the interrogatory does not correspond to the notion of mixed-mail tallies as it is used in my testimony. The latter refers to tallies generated by a clerk or mailhandler reading taken in IOCS when the sampled employee is handling multiple non-identical mail pieces, or an item or container containing non-identical mail. The actual contents of "mixed-mail" observations may, therefore, be mail of a single subclass or rate element, as well as mail of multiple rate elements, classes, or subclasses.

DECLARATION


I, Carl G. Degen, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information and belief.



Dated: 3-16-00

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.



Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
March 17, 2000