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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

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

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-T9-68-69)

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of the Alliance of Nonprofit Mailers: ANM/USPS-T9-68-69, filed on March 20, 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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April 4, 2000

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF  
ALLIANCE OF NON PROFIT MAILERS**

**ANM/USPS-T9-68.** Please refer to your response to ANM/USPS-T9-44, in which you discuss the EVA variable pay program.

- (a) Does the acronym EVA stand for "Economic Value Added"?
- (b) Does the EVA variable pay program have any limit on the aggregate amount of the liability that the Postal Service can incur in (i) any one quarter, and (ii) any fiscal year? If so, please specify the maximum possible aggregate amount, and explain the conditions which would give rise to the maximum liability on the part of the Postal Service.
- (c) For each quarter of FY 1998 and 1999, please state the maximum aggregate amount of bonus or incentive payments that the Postal Service could have incurred under the EVA variable pay program, had all conditions for such maximum payment been met.
- (d) For each quarter of FY 1998 and 1999, please state the amount actually incurred under the EVA variable pay program, and indicate what percentage of the maximum those amounts represented.
- (e) What is the highest level of management in the Postal Service that is eligible to receive bonus payments under the EVA variable pay program?
- (f) What is the lowest level of management in the Postal Service that is eligible to receive bonus payments under the EVA variable pay program?
- (g) Can clerks and mailhandlers receive bonus payments under the EVA variable pay program?

**RESPONSE:**

- (a) EVA stands for "Economic Value Added".
- (b) Under the EVA variable pay program there is no limit on the aggregate amount of the liability that the Postal Service could incur in any fiscal year. The program is an annual program, and the size of any potential incentive is determined by the level of EVA at the end of each fiscal year.

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**ANM/USPS-T9-68. continued**

- (c) As stated in (b), the program is an annual program. At the end of FY 1998 and 1999, the maximum aggregate potential amount of incentive payments that the Postal Service could have paid under the EVA variable pay program, had all conditions for such maximum payment been met was \$219.7 million and \$214.9 million, respectively.
- (d) As stated in (b), the program is an annual program. The amount actually incurred under the EVA variable pay program for FY 1998 and 1999 was \$178.8 million and \$170.8 million, respectively. This represents 81.4% of the maximum for FY 1998 and 79.5% of the maximum in FY 1999.
- (e) All non-bargaining employees excluding the Inspection Service and the Inspector General, approximately 84,000 in FY 1999, are covered under the EVA variable pay program. Accordingly, all officers of the Postal Service, including the Postmaster General, is covered by this program.
- (f) See my response to (e). All EAS grades are included in the program, including part-time postmasters.
- (g) Clerks and mailhandlers are not covered under the EVA variable pay program.

## **RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF ALLIANCE OF NON PROFIT MAILERS**

**ANM/USPS-T9-69.** Flat sorting productivity has deteriorated at a steep and accelerating rate (see USPS-LR-I-193, Publication 128, page 4). Total Factor Productivity ("TFP") has declined in four out of the last five years. In this docket, the Postal Service is requesting a revenue increase of 6.4 percent even though inflation since the last omnibus rate case has averaged only 4.8 percent (see DMA/USPS-T9-16 and NAA/USPS-T32-24). And many mailers (including all nonprofit mailers) are facing rate increases much bigger than 6.4 percent.

- (a) In these circumstances, how does the Postal Service justify to mailers, who must ultimately pay for all costs, any payments under its EVA variable pay program?
- (b) Why don't the factors used to determine bonus payments in the EVA variable pay program coincide with, and produce, aggregate results that are meaningful to mailers, such as (i) increased flat sorting productivity, (ii) increased TFP, (iii) revenue increases that are less than the rate of inflation, and (iv) rate increases that are correspondingly less than the rate of inflation?

### **RESPONSE:**

- (a) The EVA variable pay program is one component of a pay system for non-bargaining employees. These employees do not receive automatic general pay increases and do not receive COLA increases. Prior to the adoption of this program, both annual general pay increases and COLA increases were granted to these employees. Accordingly, the EVA variable pay program is a "at risk" component of their annual compensation that is tied to operational and financial performance.
- (b) Operational factors are used to determine variable pay incentive payments. Actual EVA incentive credits are contingent upon achieving certain operational and financial goals under three

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**ANM/USPS-T9-69. continued**

dimensions called "Voices" in our *CustomerPerfect!* program.

Operating units must achieve certain targets relating to customer service (Voice of the Customer), the work environment (Voice of the Employee), and financial performance (Voice of the Business) goals. Management believes that over time achievement of these increasingly challenging targets will drive improvements in aggregate, increasing productivity measures such as TFP and keep rates below the rate of inflation.

It should be noted that implementation of rates approved from Docket No. R97-1 was delayed, reducing the inflationary impact to mailers of rate increases. As reflected in my response to DMA/USPS-T9-16, when combining the R97-1 and R2000-1 rate cycle, cumulative inflation is estimated at 14.6% and the average rate increase is 9.5%. One of the features of the EVA variable pay program is that the effect of rate increases is indexed out of the Postal Service's EVA calculation, thereby eliminating credit for rate increases.

**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: 3-4-2000

## 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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", is written over a horizontal line.

Scott L. Reiter

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