

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

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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 INTERROGATORY OF
UNITED PARCEL SERVICE
(UPS/USPS-T16-8(c)-(f))

The United States Postal Service hereby provides the response of witness Degen to the following interrogatory of United Parcel Service: UPS/USPS-T16-8(c)-(f), filed on April 6, 2000. Interrogatory UPS/USPS-T16-8(a) and (b) was redirected to witness Van-Ty-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



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April 20, 2000

Response of United States Postal Service Witness Degen
To Interrogatory of United Parcel Service

UPS/USPS-T16-8. Refer to your response to interrogatory UPS/USPS-T16-7.

- a. With respect to your reference to witness Van-Ty-Smith's response to TW/USPS-T17-4, provide all SAS programs used to create the tables referenced in response to TW/USPS-T17-4 in hardcopy and electronic format.
- b. Describe in detail how the LDC cost pools were separated into the non-MODS cost pool classifications.
- c. Confirm that the costs discussed in witness Van-Ty-Smith's response to TW/USPS-T17-4 that you referenced in your response to UPS/USPS-T16-7 were for all subclasses of mail and not just for parcel post.
- d. Confirm that the costs discussed in witness Van-Ty-Smith's response to TW/USPS-T17-4 that you referenced in your response to UPS/USPS-T16-7 were only for cost segment 3.1.
- e. Describe the activities that would be considered "outgoing" for the LDC 43 portion of each of the non-MODS cost pools (Allied, Auto Distr, Express, etc.) separately for each non-MODS cost pool.
- f. Describe the activities that would be considered "incoming" for the LDC 43 portion of each of the non-MODS cost pools (Allied, Auto Distr, Express, etc.) separately for each non-MODS cost pool.

UPS/USPS-T16-8 Response.

- a. Redirected to witness Van-Ty-Smith (USPS-T-17).
- b. Redirected to witness Van-Ty-Smith (USPS-T-17).
- c. Confirmed. Please note that parts (a) and (b) of UPS/USPS-T16-7, in response to which I reference witness Van-Ty-Smith's response to TW/USPS-T17-4, inquires about MODS 1&2 (mail processing) cost pools, without limitation to the Standard (B) Parcel Post subclass.
- d. Confirmed. Please note that all subparts of UPS/USPS-T16-7 inquired about "MODS 1&2 cost pools." I understand "MODS 1&2 cost pools" to mean mail

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processing cost pools, which are included in Cost Segment 3.1 in the Postal Service's BY 1998 CRA.

- e. I assume that the interrogatory intends to inquire about non-MODS cost pools (as written) as opposed to portions of the MODS LDC 43 cost pool associated with each non-MODS operation groupings. I also assume that the interrogatory intends to refer to non-MODS mail processing cost pools. In this context, please note that data (similar to the MODS operation numbers) do not exist to crosswalk the non-MODS cost pools to LDC. However, based on LDC definitions and witness Van-Ty-Smith's crosswalk of the MODS Function 4 cost pools to the non-MODS operation groupings, I expect costs in the non-MODS AUTO/MEC, EXPRESS, REGISTRY, and MISC cost pools would be substantially incurred under LDCs other than LDC 43. In the following descriptions—as well as those under part (f)—I interpret the terms “outgoing” and “incoming” per the rules used to determine “Basic Function” in IOCS; see Handbook F-45 (USPS LR-I-14) at pages 17-5 to 17-7. Finally, the following descriptions should not be interpreted as exhaustive.

AUTO/MEC. This cost pool is primarily associated with LDCs 41 and 42.

Note that it is my understanding that automation equipment in non-MODS offices is primarily used for incoming tertiary (DPS) letter sorting and, usually to a lesser extent, incoming secondary sortation. It is also my understanding that most non-MODS offices perform relatively little outgoing sortation.

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- MANL.** Manual piece sorting of letters destinating outside the area served by the office (or its serving PDC/PDF); this may include sortation of local mail commingled with non-local mail.
However, note that it is my understanding that most non-MODS offices perform relatively little outgoing sortation.
- MANF.** Manual piece sorting of flats destinating outside the area served by the office (or its serving PDC/PDF); this may include sortation of local mail commingled with non-local mail.
However, note that it is my understanding that most non-MODS offices perform relatively little outgoing sortation.
- MANP.** Manual piece sorting of parcels destinating outside the area served by the office (or its serving PDC/PDF); this may include sortation of local mail commingled with non-local mail.
However, note that it is my understanding that most non-MODS offices perform relatively little outgoing sortation.
- ALLIED.** Handling of mail destinating outside the area served by the office (or its serving PDC/PDF) other than piece sorting; this may include handling of local mail prior to incoming operations.
This may include platform-type activities such as moving mail from other operations to outbound transportation as well as cancellation and mail preparation activities.

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EXPRESS. This cost pool is primarily associated with LDC 48. However, some incidental handling of outgoing Express Mail by employees working in LDC 43 may be classified under this cost pool in IOCS.

REGISTRY. This cost pool is primarily associated with LDC 48. However, some incidental handling of outgoing Registered Mail by employees working in LDC 43 may be classified under this cost pool in IOCS.

MISC. This cost pool is primarily associated with LDC 48. However, it is my understanding that this cost pool also may encompass miscellaneous and support activities pertaining to LDC 43 outgoing sortation and allied activities that are not classified under an IOCS activity associated with the sorting or allied cost pools discussed above.

Also please see witness Bozzo's response to MPA/USPS-T-15-4.

- f. Please note that the caveats in the response to part (e) also apply to the descriptions provided below.

AUTO/MEC. This cost pool is primarily associated with LDCs 41 and 42. The primary activities are automated incoming tertiary (DPS) and incoming secondary sortation of letter mail, mainly on CSBCS equipment. It is my understanding that a few non-MODS offices

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have FSMs and thus would also perform incoming secondary flat sortation.

- MANL.** Manual piece sorting of letters destinating inside the area served by the office to carrier route, box section or P.O. Box.
- MANF.** Manual piece sorting of flats destinating inside the area served by the office to carrier route, box section or P.O. Box.
- MANP.** Manual piece sorting of parcels destinating inside the area served by the office to carrier route, box section or P.O. Box.
- ALLIED.** Handling of mail destinating inside the area served by the office other than piece sortation. This may include platform and opening activities.
- EXPRESS.** This cost pool is primarily associated with LDC 48. However, some incidental handling of incoming Express Mail by employees working in LDC 43 may be classified under this cost pool in IOCS.
- REGISTRY.** This cost pool is primarily associated with LDC 48. However, some incidental handling of incoming Registered Mail by employees working in LDC 43 may be classified under this cost pool in IOCS.
- MISC.** This cost pool is primarily associated with LDC 48. However, it is my understanding that this cost pool also may encompass

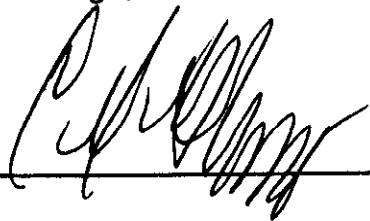
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**miscellaneous and support activities pertaining to LDC 43
incoming piece sortation and allied labor activities that are not
classified under an IOCS activity associated with the sorting or
allied cost pools discussed above.**

Also please see witness Bozzo's response to MPA/USPS-T-15-4.

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.



Date: 4-19-00

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.



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