

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

RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-4-23)

The United States Postal Service hereby provides its responses to the following interrogatories of the Alliance of Nonprofit Mailers: ANM/USPS-4-23, filed on April 28, 2000.

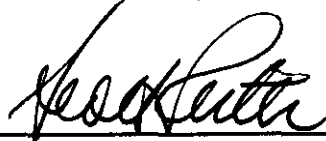
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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May 10, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-4. Please confirm that, to determine the actual average service life of any vintage of Postal Service equipment, one must know how many units of that vintage were originally acquired. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
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ANM/USPS-5. Please confirm that, to determine the actual or historic survivor curve of any vintage of Postal Service equipment, one must know how many units of that vintage were originally acquired. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Assuming a survivor curve is the same as average service life, confirmed.

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ANM/USPS-6. Please confirm that, to determine the actual average service life of any vintage of Postal Service equipment, one must know how what fraction of that vintage (whether measured in units of equipment or dollars) are retired by year, from the year of original purchase (a) to the year in which the last unit is retired, or (b) to the present date, of some units of the vintage still remain in service. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
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ANM/USPS-7. Please confirm that, to determine the actual or historic survivor curve of any vintage of Postal Service equipment, one must know how what fraction of that vintage (whether measured in units of equipment or dollars) are retired by year, from the year of original purchase to the year in which the last unit is retired (or to the present date, of some units of the vintage still remain in service). If you fail to confirm without qualification, please explain fully.

RESPONSE:

Assuming a survivor curve is the same as average service life, confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
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ANM/USPS-8. Please confirm that Library Reference I-308, Material Provided in Responses to ANM/USPS-3, Motor Vehicle Reports, does not permit a third party to determine how many units in any vintage of motor vehicles were acquired by the Postal Service in any year before 1995. If you fail to confirm without qualification, please explain fully.

RESPONSE:

As previously stated in the response to ANM/USPS-3, information on vehicle dispositions is not available prior to Fiscal Year 1995.

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ANM/USPS-9. Please confirm that Library Reference I-308, Material Provided in Responses to ANM/USPS-3, Motor Vehicle Reports, does not permit a third party to determine what fraction of any vintage of motor vehicles acquired by the Postal Service before 1995 has been retired. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Please see the response to ANM/USPS-8.

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ANM/USPS-10. Please confirm that Library Reference I-308, Material Provided in Responses to ANM/USPS-3, Motor Vehicle Reports, does not permit a third party to determine the actual average service life of any vintage of motor vehicles acquired by the Postal Service before 1995. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Please see the response to ANM/USPS-8.

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ANM/USPS-11. Please confirm that Library Reference I-308, Material Provided in Responses to ANM/USPS-3, Motor Vehicle Reports, does not permit a third party to determine the actual or historic survivor curve of any vintage of motor vehicles acquired by the Postal Service before 1995. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Please see the response to ANM/USPS-8.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
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ANM/USPS-12. Please confirm that the entire set of documentation produced by the Postal Service in this case is insufficient to enable a third party to determine, for any vintage of motor vehicles acquired by the Postal Service before 1995, the (a) average actual service life of the vintage, or (b) the actual or historic survivor curve of the vintage. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Please see the response to ANM/USPS-8.

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ANM/USPS-13. Please confirm that Library Reference I-309, Material Provided in Responses to ANM/USPS-3, Personal Property Reports, does not permit a third party to determine how many units in any vintage of personal property the Postal Service acquired in any year before 1997. If you fail to confirm without qualification, please explain fully.

RESPONSE:

As already specified in the response to ANM/USPS-3, information on personal property dispositions is not available prior to FY 97.

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ANM/USPS-14. Please confirm that Library Reference I-309, Material Provided in Responses to ANM/USPS-3, Personal Property Reports, does not permit a third party to determine what fraction of any vintage of personal property acquired by the Postal Service before 1997 has been retired. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Please see the response to ANM/USPS-13.

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ANM/USPS-15. Please confirm that Library Reference I-309, Material Provided in Responses to ANM/USPS-3, Personal Property Reports, does not disclose the retirements of any vintage of personal property in any year before or after 1997. If you fail to confirm without qualification, please explain fully.

RESPONSE:

The disposition reports for Fiscal Year's 98 and 99 were inadvertently omitted. The missing reports have been added to Library Reference I-309.

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ANM/USPS-16. Please confirm that Library Reference I-309, *Material Provided in Responses to ANM/USPS-3, Personal Property Reports*, does not permit a third party to determine the actual average service life of any vintage of personal property acquired by the Postal Service. If you fail to confirm without qualification, please explain fully.

RESPONSE:

As previously stated in the response to ANM/USPS-3, the information needed to do so is not available.

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ANM/USPS-17. Please confirm that Library Reference I-309, *Material Provided in Responses to ANM/USPS-3, Personal Property Reports*, does not permit a third party to determine the actual or historic survivor curve of any vintage of personal property acquired by the Postal Service. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Assuming a survivor curve is the same as average service life, please see the response to ANM/USPS-16.

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ANM/USPS-18. *If you contend that the documentation collectively produced by the Postal Service in this case enables a third party to determine for the actual average service life of any vintage of personal property acquired by the Postal Service, please provide the following information:*

- a. Identify each such vintage by vintage year and by PCN or other identification of asset type.
- b. Compute the actual average service life, with sufficiently detailed workpapers (including page and line citations to the relevant documents that have been produced) to enable a third party to replicate your calculations. (If you contend that the actual average service life can be computed for more than six vintages of assets, you may limit your calculations to a reasonably representative sample of six vintages.)

RESPONSE:

- a.-b. Not applicable. Please see the response to ANM/USPS-16.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
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ANM/USPS-19. In response to ANM's request for any workpapers of the independent auditors concerning Postal Service asset lives (2 Tr. 473), the Postal Service states, inter alia, that its independent auditors, Ernst & Young, "have indicated that they perform a relatively high level review in relation to asset service lives."

- a. Please define "relatively high level review."
- b. Please specify (or estimate, if precise data are unavailable), how many professional-hours Ernst & Young spent reviewing the Postal Service's asset lives in each of the past three fiscal years. Please break down your response by the seniority level of the individuals performing the review.
- c. Please identify (and produce, if not publicly available) the Postal Service records and documentation that Ernst & Young reviewed in the course of their "relatively high level review in relation to asset service lives."
- d. Please cite the GAAP or other standards that Ernst & Young believe govern the level of detail and documentation required in a "relatively high level review" of "asset services lives" in these circumstances.
- e. Please produce the standards responsive to part (d) (or provide citations, if the standards are publicly available).

RESPONSE:

- a. A description of the high level review performed by the Ernst & Young Auditors has already been provided. See Responses of USPS Witness Tayman to Questions Posed During Cross-Examination, filed on April 19, 2000.
- b. This information is proprietary to Ernst and Young and is not available to the Postal Service.

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ANM/USPS-19. RESPONSE

- c. The information reviewed by the auditors included the property and vehicle reporting systems from which the information provided in LR's I-224, 308 and 309 was obtained, as well as the general ledger.
- d. Please see SAS No. 65 and 56, among others.
- e. Please see the response to part d.

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ANM/USPS-20. In response to ANM's request for any workpapers of the independent auditors concerning Postal Service asset lives (2 Tr. 473), the Postal Service states, inter alia, that its independent auditors, Ernst & Young, reviewed the "property code book." Please confirm that the "property code book" is the same document produced as USPS-LR-I-224, Personal Property and Motor Vehicle Asset Life Listing Provided in Response to ANM/USPS-T9-35. If you fail to confirm, please produce the "property code book."

RESPONSE:

Confirmed.

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ANM/USPS-21. In response to ANM's request for any workpapers of the independent auditors concerning Postal Service asset lives (2 Tr. 473), the Postal Service states, *inter alia*, that its independent auditors, Ernst & Young, reviewed the "categories for reasonableness of the service life estimates."

- (a) Please describe each check for "reasonableness" that Ernst & Young performed.
- (b) If the check involved references to any data or documents other than the "property code book," please produce all such data and documents.

RESPONSE:

a - b. Please see response to ANM/USPS-19.

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ANM/USPS-22. In response to ANM's request for any workpapers of the independent auditors concerning Postal Service asset lives (2 Tr. 473), the Postal Service states, *inter alia*, "the level of depreciation is evaluated" by Ernst & Young and "the gains and losses on disposition of assets is reviewed to determine unusual levels of either gains or losses that might indicate a need to refine service life estimates."

(a) Please identify (and produce, if not publicly available) all documents reviewed in the course of this "evaluation."

(b) Please identify all tests or benchmarks used by Ernst & Young to determine whether any gains or losses are sufficiently "unusual" to indicate a possible "need to refine service life estimates."

(c) Please state whether this evaluation process has led to revision of any service life estimates for the past three fiscal years. If so, please identify all such revisions.

RESPONSE:

a – b. Please see response to ANM/USPS-19.

c. No service life estimates have been revised during the past three fiscal years as a result of the audit evaluation process.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-23. In response to ANM's request for a listing of other investment programs that were not performing as intended, and, therefore, were cut back (2 Tr. 445-46), the Postal Service has provided a list of six programs. Please produce all documentation concerning these six programs, and the reasons why funds were either not commitment or were reduced for them.

RESPONSE:

In 1997, in order to accelerate generative equipment projects, some programs were funded before the results of the prototypes were available. Subsequently, some of the non-piloted, prototyped equipment projects were delayed until test results could be included in the investment decision.

Below is the documentation available regarding each of the six programs referred to in the question:

1. **Street Management System (Enhanced Street Performance (ESP))** – After many iterations, the project was incorporated into the Delivery Confirmation program, same scanners to achieve enhancements related to the delivery function.

2. **BMC Overall** – This is an ongoing program to examine and make recommendations for upgrading the BMCs across the country. Basically, the expenditure of funds is a timing issue as far as actual completion. The funds are controlled at Headquarters, with the Field requesting funds for projects within the Area for the BMCs. Therefore, actual expenditures are simply a timing issue relating to Headquarters' approval of requests from the Field.

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ANM/USPS-23. RESPONSE

3. Load/Sleeve/Strapping Tray System – This project was delayed until testing could be completed and the results incorporated into the DAR. The project was approved this year.

4. Field Material Handling System – This project is similar to the BMC Overall program in that funds are held at HQ Engineering and are released as individual projects are submitted, which sometimes results in changes in anticipated timing.

5. Tray Management System – This project was suspended, and subsequently restarted on a smaller scale until the results from the 23 sites could be analyzed.

6. Mail Cartridge System – Although much research and development has been done in this area, the system has been delayed until it meets all requirements and can easily and cost-effectively be used.

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", written over a horizontal line.

Scott L. Reiter

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May 10, 2000