

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, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS MEEHAN TO INTERROGATORIES OF  
UNITED PARCEL SERVICE  
(UPS/USPS-T11-1-2)

The United States Postal Service hereby provides the responses of witness Meehan to the following interrogatories of United Parcel Service: UPS/USPS-T11-1-2, filed on October 10, 2001.

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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October 24, 2001

Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service

**UPS/USPS-T11-1.** For Base Year 2000, identify the total cost incurred in connection with the PMPC network and provide the source for all numbers in the Base Year workpapers.

- (a) Identify the non-transportation costs of operating the Priority Mail Processing Centers.
- (b) Identify the costs associated with transportation in the PMPC network.
- (c) Identify the non-transportation costs associated with the PMPC network.
- (d) Identify those PMPC network costs that are not included in (a) or (b).

**Response:**

(a) – (d) The PMPC network cost had the following costs in Base Year 2000.

The PMPC contract costs were \$590 million, as shown in LR-J-8, page 128.

Expendable equipment purchased for the PMPC costs was \$5.7 million, as shown in USPS-LR-J-8, page 163. There were also product specific costs associated with headquarters' oversight of the PMPC network which are not part of the volume variable costs but are part of the incremental cost of Priority Mail.

The amounts are \$478 thousand in Cost Segment 15; \$7.09 million in Cost Segment 16; \$7.4 million in Cost Segment 18; \$80 thousand in Cost Segment 20. These amounts are shown in witness Kay's workpapers (USPS-T-21), summarized in table 4 (base year) on pages 20 and 21 of Volume I.

Transportation costs were not broken out separately in the contract, so that breakdown is not available.

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**UPS/USPS-T11-2. Refer to USPS-LR-J-49, spreadsheet "Prg\_01\_s.XLS", page "HQ & FSU," line item "HQ & Field Service Units."**

- (a) What is the total cost of the Postal Service's Sales function in BY2000? Provide separate figures for Headquarters, field operations, and contract services, including references where these costs are found in the Cost Segments and Components report.
- (b) Describe what activities are included in Sales function costs.
- (c) Show the distribution of these costs to individual Postal Service products.
- (d) Describe the methodology that is used to distribute these costs.
- (e) Are customer service costs included in the total cost of the Sales function? If not:
- i) Provide the total customer service costs for the Postal Service in BY2000, with separate figures for Headquarters, field operations, and contract services and including references where these costs are found in the Cost Segments and Components report.
  - (ii) Describe what activities are included in customer service costs.
  - (iii) Show the distribution of these costs to individual Postal Service products.
  - (iv) Describe the methodology that is used to distribute these costs.

**Response:**

(a) The base year cost of the Sales Function is part of the line item that you cite "HQ & Field Service Units" which is contained in cost component 191. Component 191 is shown in my Exhibit USPS-11A at page 56, Headquarters column. This component is a non-volume variable cost component. Also, I am informed that the personnel costs related to the Sales Function shown in Prg\_01\_s.XLS were included with the Field Area and District Offices for six accounting periods during FY 2000. District office sales personnel costs are in cost segment 2, component 33. Component 33 is shown in my Exhibit USPS-11A, page 18. Component 33 is non-volume variable. Area office sales personnel costs are in cost segment 18, component 193. Component 193 is

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shown in my Exhibit USPS-11A, page 56. Component 193 is non-volume variable. See also the Postal Service's response to UPS/USPS-T21-6a.

(b) According to the Vice President of Sales' position description, the activities this VP oversees are: (1) the development, implementation, evaluation and monitoring of national sales policies and programs; (2) the development and implementation of sales strategies and plans; (3) the direction for lead generation activities and initiatives in coordination with field and headquarters marketing managers; (4) the management, development, implementation and improvement of direct selling programs supporting postal service product lines; (5) the management, development and implementation of systems and solutions related to increasing high impact sales of postal products and services; (6) the management of lead generation activities, ensuring support for field sales through the development of lead generation systems, policies, programs, and training.

(c) Non-volume variable costs are not distributed to products.

(d) Non-volume variable costs are not distributed to products.

(e) The base year cost of "customer service" is not separately identified by segment or component. However, some activities may be considered "customer service" activities that are included in the activities of the Sales Function. See the response to subpart (b) above.

(i) See (e) above.

(ii) See (e) above.

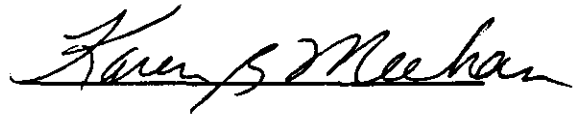
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**(iii) See (e) above.**

**(iv) See (e) above.**

**DECLARATION**

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

Handwritten signature of Karen Meehan in cursive script, underlined.

Dated: 10/24/01

## 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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Susan M. Duchek

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