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Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

POSTAL RATE AND FEE CHANGES, 2001	Docket No. R2001–1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAYMAN TO INTERROGATORIES
OF THE DIRECT MARKETING ASSOCIATION
(DMA/USPS–T6–1–34)

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of the Direct Marketing Association: DMA/USPS–T6–1–34, filed on October 19, 2001. Interrogatory DMA/USPS–T6–13 was redirected to witness Pateluanas.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 2, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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DMA/USPS-T6-1. Please refer to Table 4 on page 6 of your testimony. In particular, please refer to the row titled "Before Rates FY 2003*."

(a) Please confirm that this table shows that expenses in Before Rates FY 2003 (excluding contingency) are projected to be 4.1 percent higher than FY 2002 expenses. If not confirmed, please explain fully.

(b) Please confirm that expenses in Before Rates FY 2003 (including contingency) are projected to be 7.2 percent higher than FY 2002 expenses. If not confirmed, please explain fully and provide the appropriate expense growth figure for Before Rates FY 2003 (including contingency).

(c) Please confirm that 7.2 percent expense growth is the highest percentage increase in expenses since FY 1991. If not confirmed, please explain fully.

RESPONSE:

(a) Confirmed, as stated at lines 16 and 17 of my testimony. Please note if reference were made to the projected after rates expenses the growth rate of expenses in FY 2003 over FY 2002 would have been 2.6 percent. This would have been the second lowest expense growth rate since Postal Reorganization, and would result in the planned expense growth rates for FYs 2002 and 2003 being the second and third lowest expense growth rates in more than three decades. As indicated at page 4 of my testimony, these growth rates result from Postal Service plans to manage expense growth through the test year.

(b) Not confirmed. Projected and planned for expenses do not include the contingency. Please refer to Exhibit USPS-6A entitled "Statements of Revenues and Expenses." That exhibit shows that the test year contingency is a separate line item from accrued costs. Further, as I state at page 47 of my testimony,

> "The contingency provision provides protection against possible adversities. When adversities strike they can affect any part of the postal system. Adversities can affect revenues. Adversities can affect costs."

Because the contingency relates to revenues or costs and because as a matter of principle full use of the contingency may not be required, I do not agree it is appropriate to include contingency as part of planned for or projected total expense and to project expense growth on that basis.

(d) Not confirmed. Please see the response to (b), above.

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DMA/USPS-T6-2. Please refer to Table 5 on page 7 of your testimony. Please define workyear as used in this table.

RESPONSE:

A workyear is a standard measure of labor resources, sometimes referred to as a full time equivalent. The total hours used in the base year are converted into workyears. For most categories of employee, one workyear equates to 2080 hours. This is the number of hours for which a full-time employee is compensated in one year (i.e. 40 hours per week for 52 weeks). The exception is part time flexible employees for which a workyear equates to 2000 hours. 2000 hours is used because part time flexible employees are not paid for holidays (i.e., 10 holidays @ 8 hours).

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DMA/USPS-T6-3 Please refer to Table 6 on page 8 of your testimony. Please confirm that the Total Debt figures in this table are end-of-year figures. If not confirmed, please explain fully.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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DMA/USPS-T6-4. Please refer to Table 7 on page 9 of your testimony. Please explain why current assets decreased by more than $1.3 billion between FY 1995 and FY 1996.

RESPONSE:

Current assets between 1995 and 1996 dropped primarily because the Postal Service experienced favorable financial results during that time period (including a $1.6 billion net income in FY 1996) and elected to reduced its outstanding debt and decrease the amount of cash and cash equivalents on hand. Cash and cash equivalents dropped by approximately $1.2 billion ($1.517 billion to $0.310 billion) between FY 1995 and FY 1996. This was a tactical shift in the Postal Service's financing policy that represented the Postal Service's then buoyant financial condition. The Postal Service's financial situation has changed dramatically since that time. As stated at pages 10 and 11 of my testimony, a declining current ratio and an increasing debt level are indicative of a worsening financial condition. This relationship appears in the portions of the data series that are more recent than the data cited in your question.

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DMA/USPS-T6-5. Please refer to page 18 of your testimony where you state, "A significant amount of growth in FY 2001 results from non-recurring costs related to the start up of the Fed Ex contract and bringing the Priority Mail network in house."

(a) Please provide a list of all cost reduction and other programs in this case related to bringing the Priority Mail network in house.

(b) For each of the cost reduction and other programs listed in your response to subpart (a), by how much did the program increase or decrease Postal Service costs as a whole.

(c) For each of the cost reduction and other programs listed in your response to subpart (a), by how much did the program increase or decrease Priority Mail costs.

(d) Please provide a list of all cost reduction and other programs in this case related to the Fed Ex contract.

(e) For each of the cost reduction and other programs listed in your response to subpart (d), by how much did the program increase or decrease Postal Service costs as a whole.

(f) For each of the cost reduction and other programs listed in your response to subpart (d), by how much did the program increase or decrease Priority Mail costs.

Response:

(a) Please refer to USPS-LR-J-49. The cost impact of bringing the PMPCs in house is reflected as Other Programs. Total amounts are shown on the "PMPC in House" and "PMPC Contract" lines of the following exhibits: Exhibit A (FY 2001 Other Programs) Pages 1-2, and Exhibit B (FY 2002 Other Programs) Pages 1-2. I am informed that details are available in USPS-LR-J-4 on pages 214-217, 493-496, 552-555 and 611-614 (see factors 90, 192, 193, 200 and 254).

(b) The amounts shown in USPS-LR-J-4 are how much Postal Service costs are estimated to change. The amounts in thousands are:

	FY01	FY02	FY03
Domestic Air	204,000	90,800	0
Highway	55,300	34,600	0
Mail Processing	146,800	64,800	0
Bldg Occupancy	37,900	18,600	0
Supp&Services (Repair)	3,200	1,400	0
Supp&Services (Contract)	-242,431	-347,670	0

(c) I am informed that the entire amounts for Domestic Air, Highway, Mail Processing and Building Occupancy in part (b) of this question were distributed to Priority Mail. None of the Repair amounts of 3,200 or 1,400 in FY01 and FY02, respectively, were distributed to Priority Mail. The Contract amounts of -242,431 and -47,670 in FY01 and FY02, respectively, are a portion of the total component 187 amounts of -245,944 and -357,370. Of the component 187 totals, -235,955 and -48,667 were distributed to Priority Mail.

(d) Please refer to USPS-LR-J-49. The Cost Reductions associated with the FedEx contract are shown in Exhibit E, pages 1 – 3 on the "Fed Ex Contract" line. The Other Programs associated with the FedEx contract are shown in Exhibits A, B and C on the "Fed Ex Contract" line. I am informed details are available in USPS-LR-J-4 on pages 215-216, 494-495, 553-554 and 612-613 (see factors 172 through 178).

(e) The amounts shown in USPS-LR-J-4 are how much Postal Service costs are estimated to change. The amounts in thousands are:

		FY01	FY02	FY03
Factor 172	FedEx Startup	100,000	-100,000	0
Factor 173	FY02 Air	0	-136,120	0
Factor 174	FY02 Ground	0	54,500	0
Factor 175	FY02 Highway	0	3,000	0
Factor 176	FY03 Air	0	0	10,187
Factor 177	FY03 Ground	0	0	60
Factor 178	FY03 Highway	0	0	-147

(f) Of the amounts shown in part (e) of this question, I am informed the following amounts (in thousands) were distributed to Priority Mail:

		FY01	FY02	FY03
Factor 172	FedEx Startup	0	0	0
Factor 173	FY02 Air	0	65,207	0
Factor 174	FY02 Ground	0	42,551	0
Factor 175	FY02 Highway	0	2,342	0
Factor 176	FY03 Air	0	0	4,442
Factor 177	FY03 Ground	0	0	-338
Factor 178	FY03 Highway	0	0	-138

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DMA/USPS-T6-6. Please refer to page 21 of your testimony where you state, "In order to predict costs, known and reasonably certain cost changes are projected. In addition, estimates based on reasonable assumptions (for costs which will certainly change, but for which the rates of change are not precisely known) are made." Please confirm that the uncertainty for "known and reasonably certain cost changes" is lower than that for cost changes estimated "based on reasonable assumptions." If not confirmed, please explain fully.

RESPONSE:

Not confirmed. The passage quoted in your question concerns the processes employed for constructing test year cost estimates. It does not classify costs into certain and less certain cost pools. Known and reasonably certain cost changes are only known and reasonably certain in the sense that specific information is available for some sources of change used in constructing cost estimates. It does not mean that the cost estimates themselves are certain. There can be and frequently are other, highly unpredictable sources of change that affect estimated costs.

For example, following the passage of my testimony cited in your question, I go on to say that depreciation on existing plants and buildings and interest on debt already outstanding are known and reasonably certain. However, total depreciation expense can vary substantially from projections due to the unexpected destruction of facilities and equipment or due to changing capital requirements (such as have been initiated within the last several weeks with respect to the prospective purchase of equipment to sanitize the mail). Also, refinancing actions, maturation of debt, unexpected variations in cash flows, and movements in financial markets and interest rates can have a dramatic effect on total interest expense. Thus, I cannot agree that cost changes for total depreciation expense or for total interest expense are known with reasonable certainty.

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DMA/USPS-T6-7. Please refer to page 46, lines 22-23 where you discuss the cost of new delivery facilities.

(a) Please provide the average cost per new facility individually for bulk mail centers (BMCs), new processing and distribution centers (P&DCs), new processing and distribution facilities (P&DFs)? Please describe how you calculated this figure.

(b) How many BMCs does the Postal Service currently operate?

(c) How many delivery facilities does the Postal Service currently operate?

(d) How many P&DCs does the Postal Service currently operate?

(e) How many P&DFs does the Postal Service currently operate?

(f) Does the Postal Service have information on the following subjects for each of its facilities? If not, please describe in detail the portions, if any, of this information that the Postal Service does have for some or all of its facilities. Please provide any and all such information as a Library Reference and indicate the source of this information.

(i) Facility type (e.g., P&DC, delivery facility)
(ii) Date of purchase
(iii) Initial purchase price
(iv) USPS cost for upgrades and modifications
(v) Current market value
(vi) Current book value
(vii) Address

(g) Please provide the following information in an electronic spreadsheet format for all facilities that the Postal Service has sold in the last ten years. Also, please indicate the source of your data.

(i) Facility type (e.g., P&DC, delivery facility)
(ii) Date of purchase
(iii) Initial purchase price
(iv) USPS cost for upgrades and modifications
(vi) Date of sale
(vi) Book value at time of sale
(vii) Sale price
(vii) Address

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RESPONSE :

(a) The average cost for new P&DCs is $43 million and P&DFs is $6 million. No Bulk Mail Centers have been built since the 1970's. These numbers are based facilities placed in service since 1998.

(b) The Postal Service currently operates 21 BMCs.

(c) The Postal Service currently operates 34,508 delivery facilities.

(d) The Postal Service currently operates 245 P&DCs.

(e) The Postal Service currently operates 36 P&DFs.

(f) Please see USPS-LR-J-170, USPS Facility Listing and Facility Sales. Please note, « occupancy date » is provided for date of purchase and current market value information is not avaliable. The source is the facilities management system.

(g) Please see response to « f » above.

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DMA/USPS-T6-8. Please refer to page 53 of your testimony, where you state, "The baseline economic forecast used in the Postal Service's volume and Revenue projections is assigned merely a 55 percent probability by DRI - WEFA. The other DRI-WEFA scenarios - Late Recession (10 percent probability) and Pessimistic (35 percent probability) - have less economic growth through the test year."

(a) Has the Postal Service estimated Test Year Before Rates volumes using the DRI-WEFA Late Recession or Pessimistic forecasts? If so, please provide them in a format similar to Exhibit USPS 6C.

(b) Were the inflation estimates that the Postal Service used in the rollforward based upon the same baseline economic forecast that was used to project volume and revenue? If your answer is anything other than an unqualified yes, please explain fully.

(c) For every price index used in the rollforward, please provide the equivalent value based upon the DRI-WEFA Late Recession scenario.

(d) Please provide the date each of the forecasts was prepared for each of the 18 series you show in your exhibit USPS 6T.

(e) For every price index used in the rollforward, please provide the equivalent value based upon the DRI-WEFA Pessimistic scenario.

(a) The portion of my testimony that you cite reflects the fact that the Postal Service's experience has been, consistent with the experience of virtually every business, that recessions adversely affect volume and revenue growth. The alternative forecasts requested in your question are not necessary to reach the conclusion that recessions are bad for business. The alternative forecasts have not been produced.

(b) Yes.

(c) Please see the attachment to this response. Please note that inflation through the test year is generally higher in the Late Recession scenario than in the baseline forecasts. This is a property of the timing of the Late Recession scenario, but it also reflects that fact that reduced price pressures associated with recessions typically lag weakening economic growth. This lag can be exacerbated in the Postal Service because labor cost estimates and cost of living allowances lag inflation. Thus any benefit of lower expense growth associated with a recession could occur well beyond the onset of the recession. Further, in the current environment, there are also risks that severe material shortages or supply disruptions could increase the rate of inflation, even as economic activity decreases. These risks are not specifically represented in the referenced DRI scenarios.

(d) The dates and sources of the forecasts are given in the notes on the bottom of Exhibit USPS-6T.

(e) Please see the attachment.

1. DRI-WEFA ANNUAL FORECAST

LATE RECESSION

	FY 1999	2000	2001	2002	2003
CPI - Urban Wage and Clerical Workers	482.93	498.85	514.63	528.97	545.87
%	1.9	3.3	3.16	2.79	3.19
Wholesale Price Index	124.35	130.84	137.82	141.5	145
%	-0.86	5.22	5.33	2.67	2.47
Public Transportation	708.69	757.29	761.89	775.61	787.6
%	2.35	6.86	0.61	1.8	1.55
Transportation Services	429.03	455.6	467.65	470.87	478.37
%	0.37	6.19	2.65	0.69	1.59
Fuel Oil & Coal	541.44	787.78	878.79	821.78	840.82
%	-6.89	45.5	11.55	-6.49	2.32
Rent	417.08	431.15	449.46	464.09	474.94
%	3.25	3.37	4.25	3.26	2.34
Supplies & Materials	122.28	127.81	130.89	131.31	133.5
%	-1.35	4.53	2.41	0.32	1.67
Paper and Paper Products	145.51	159.29	160.61	163.04	166.47
%	-1.68	9.47	0.83	1.51	2.1
Natural Gas	618.63	682.06	926.11	917.17	910.57
%	-1.65	10.25	35.78	-0.97	-0.72
Electricity	422.03	426.99	453.71	464.64	467.88
%	-1.96	1.17	6.26	2.41	0.7
Air Freight	106.62	108.16	112.79	111.06	113.14
%	1.75	1.45	4.28	-1.53	1.87
Interstate Trucking Costs	117.05	121.59	127	128.85	130.61
%	3.54	3.88	4.44	1.46	1.37
Railroad Freight	113.02	113.99	115.67	116.03	116.46
%	-0.19	0.86	1.47	0.31	0.37
Private Transportation	138.94	147.42	151.59	152.49	154.69
%	0.23	6.1	2.83	0.6	1.44

2. DRI-WEFA MONTHLY FORECAST
LATE RECESSION

	Jan 1999	Feb 1999	Mar 1999	Apr 1999	May 1999	Jun 1999	Jul 1999	Aug 1999	Sep 1999	Oct 1999	Nov 1999	Dec 1999
CPI - Urban Wage and Clerical Workers	479.70	479.80	480.90	484.70	484.90	485.00	486.30	487.80	490.50	491.50	491.70	491.80
%	0.23	0.02	0.23	0.79	0.04	0.02	0.27	0.31	0.55	0.20	0.04	0.02
ECI - Wages and Salaries - Private Industry	137.70	137.90	138.10	138.63	139.17	139.70	140.10	140.50	140.90	141.37	141.83	142.30
%	0.15	0.15	0.15	0.39	0.38	0.38	0.29	0.29	0.28	0.33	0.33	0.33

	Jan 2000	Feb 2000	Mar 2000	Apr 2000	May 2000	Jun 2000	Jul 2000	Aug 2000	Sep 2000	Oct 2000	Nov 2000	Dec 2000
CPI - Urban Wage and Clerical Workers	493.2	495.9	500	500.4	501.1	504.1	504.7	504.2	507.6	508.2	509	508.5
%	0.28	0.55	0.83	0.08	0.14	0.6	0.12	-0.1	0.67	0.12	0.16	-0.1
ECI - Wages and Salaries - Private Industry	142.83	143.37	143.9	144.4	144.9	145.4	145.83	146.27	146.7	147.1	147.5	147.9
%	0.37	0.37	0.37	0.35	0.35	0.35	0.3	0.3	0.3	0.27	0.27	0.27

	Jan 2001	Feb 2001	Mar 2001	Apr 2001	May 2001	Jun 2001	Jul 2001	Aug 2001	Sep 2001	Oct 2001	Nov 2001	Dec 2001
CPI - Urban Wage and Clerical Workers	511.6	513.4	514.2	516.7	518.5	520	517.6	517.3	520.59	521.21	522.04	522.14
%	0.61	0.35	0.16	0.49	0.35	0.29	-0.46	-0.06	0.64	0.12	0.16	0.02
ECI - Wages and Salaries - Private Industry	148.43	148.97	149.5	149.97	150.43	150.9	151.27	151.63	152	152.56	153.12	153.68
%	0.36	0.36	0.36	0.31	0.31	0.31	0.24	0.24	0.24	0.37	0.37	0.36

	Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	Jun 2002	Jul 2002	Aug 2002	Sep 2002	Oct 2002	Nov 2002	Dec 2002
CPI - Urban Wage and Clerical Workers	524.02	526.26	528.29	530.23	531.66	533.74	534.57	535.7	537.76	538.9	540.02	539.78
%	0.36	0.43	0.39	0.37	0.27	0.39	0.16	0.21	0.39	0.21	0.21	-0.04
ECI - Wages and Salaries - Private Industry	154.27	154.87	155.46	156	156.53	157.07	157.6	158.14	158.68	159.25	159.82	160.39
%	0.39	0.39	0.38	0.34	0.34	0.34	0.34	0.34	0.34	0.36	0.36	0.36

	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Jul 2003	Aug 2003	Sep 2003	Oct 2003	Nov 2003	Dec 2003
CPI - Urban Wage and Clerical Workers	541.1	543.08	545.05	547.04	548.39	550.33	550.98	551.95	553.78	554.69	555.54	554.84
%	0.24	0.36	0.36	0.36	0.25	0.35	0.12	0.17	0.33	0.16	0.15	-0.13
ECI - Wages and Salaries - Private Industry	161.03	161.66	162.3	162.88	163.46	164.04	164.63	165.22	165.81	166.28	166.76	167.23
%	0.4	0.39	0.39	0.36	0.36	0.36	0.36	0.36	0.36	0.29	0.29	0.28

1. DRI-WEFA ANNUAL FORECAST
PESSIMISTIC

	FY 1999	2000	2001	2002	2003
CPI - Urban Wage and Clerical Workers	482.93	498.85	514.63	525.16	534.93
%	1.9	3.3	3.16	2.05	1.86
Wholesale Price Index	124.35	130.84	137.43	137.36	138.1
%	-0.86	5.22	5.03	-0.05	0.54
Public Transportation	708.69	757.29	761.89	775.61	787.6
%	2.35	6.86	0.61	1.8	1.55
Transportation Services	429.03	455.6	467.65	470.87	478.37
%	0.37	6.19	2.65	0.69	1.59
Fuel Oil & Coal	541.44	787.78	878.79	821.78	840.82
%	-6.89	45.5	11.55	-6.49	2.32
Rent	417.08	431.15	449.46	464.09	474.94
%	3.25	3.37	4.25	3.26	2.34
Supplies & Materials	122.28	127.81	130.69	127.92	128.02
%	-1.35	4.53	2.25	-2.12	0.08
Paper and Paper Products	145.51	159.29	160.61	163.04	166.47
%	-1.68	9.47	0.83	1.51	2.1
Natural Gas	618.63	682.06	926.11	917.17	910.57
%	-1.65	10.25	35.78	-0.97	-0.72
Electricity	422.03	426.99	453.71	464.64	467.88
%	-1.96	1.17	6.26	2.41	0.7
Air Freight	106.62	108.16	112.79	111.06	113.14
%	1.75	1.45	4.28	-1.53	1.87
Interstate Trucking Costs	117.05	121.59	127	128.85	130.61
%	3.54	3.88	4.44	1.46	1.37
Railroad Freight	113.02	113.99	115.67	116.03	116.46
%	-0.19	0.86	1.47	0.31	0.37
Private Transportation	138.94	147.42	151.59	152.49	154.69
%	0.23	6.1	2.83	0.6	1.44

2. DRI-WEFA MONTHLY FORECAST
PESSIMISTIC

	Jan 1999	Feb 1999	Mar 1999	Apr 1999	May 1999	Jun 1999	Jul 1999	Aug 1999	Sep 1999	Oct 1999	Nov 1999	Dec 1999
CPI - Urban Wage and Clerical Workers	479.70	479.80	480.90	484.70	484.90	485.00	486.30	487.80	490.50	491.50	491.70	491.80
%	0.23	0.02	0.23	0.79	0.04	0.02	0.27	0.31	0.55	0.20	0.04	0.02
ECI - Wages and Salaries - Private Industry	137.70	137.90	138.10	138.63	139.17	139.70	140.10	140.50	140.90	141.37	141.83	142.30
%	0.15	0.15	0.15	0.39	0.38	0.38	0.29	0.29	0.28	0.33	0.33	0.33

	Jan 2000	Feb 2000	Mar 2000	Apr 2000	May 2000	Jun 2000	Jul 2000	Aug 2000	Sep 2000	Oct 2000	Nov 2000	Dec 2000
CPI - Urban Wage and Clerical Workers	493.2	495.9	500	500.4	501.1	504.1	504.7	504.2	507.6	508.2	509	508.5
%	0.28	0.55	0.83	0.08	0.14	0.6	0.12	-0.1	0.67	0.12	0.16	-0.1
ECI - Wages and Salaries - Private Industry	142.83	143.37	143.9	144.4	144.9	145.4	145.83	146.27	146.7	147.1	147.5	147.9
%	0.37	0.37	0.37	0.35	0.35	0.35	0.3	0.3	0.3	0.27	0.27	0.27

	Jan 2001	Feb 2001	Mar 2001	Apr 2001	May 2001	Jun 2001	Jul 2001	Aug 2001	Sep 2001	Oct 2001	Nov 2001	Dec 2001
CPI - Urban Wage and Clerical Workers	511.6	513.4	514.2	516.7	518.5	520	517.6	517.3	520.59	520.91	521.41	520.83
%	0.61	0.35	0.16	0.49	0.35	0.29	-0.46	-0.06	0.64	0.06	0.1	-0.11
ECI - Wages and Salaries - Private Industry	148.43	148.97	149.5	149.97	150.43	150.9	151.27	151.63	152	152.44	152.88	153.32
%	0.36	0.36	0.36	0.31	0.31	0.31	0.24	0.24	0.24	0.29	0.29	0.29

	Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	Jun 2002	Jul 2002	Aug 2002	Sep 2002	Oct 2002	Nov 2002	Dec 2002
CPI - Urban Wage and Clerical Workers	521.88	523.43	524.81	526.15	526.93	528.28	528.34	528.76	530.2	530.72	531.23	530.52
%	0.2	0.3	0.26	0.26	0.15	0.26	0.01	0.08	0.27	0.1	0.1	-0.13
ECI - Wages and Salaries - Private Industry	153.77	154.23	154.68	155.06	155.44	155.82	156.21	156.6	156.99	157.41	157.83	158.26
%	0.3	0.29	0.29	0.25	0.25	0.24	0.25	0.25	0.25	0.27	0.27	0.27

	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Jul 2003	Aug 2003	Sep 2003	Oct 2003	Nov 2003	Dec 2003
CPI - Urban Wage and Clerical Workers	531.39	532.86	534.31	535.75	536.6	538.1	538.33	538.88	540.42	541.03	541.62	540.91
%	0.16	0.28	0.27	0.27	0.16	0.28	0.04	0.1	0.29	0.11	0.11	-0.13
ECI - Wages and Salaries - Private Industry	158.75	159.25	159.74	160.21	160.67	161.13	161.66	162.18	162.71	163.19	163.67	164.15
%	0.31	0.31	0.31	0.29	0.29	0.29	0.33	0.33	0.32	0.3	0.29	0.29

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-9. Please refer to your Exhibit USPS-6Q. Please define the following types of personnel cost level changes and describe the method that you used to calculate each type of personnel cost level change:
(a) Carryover Costs
(b) New Costs
(c) Net Lump Sum
(d) STEP/MERIT
(e) ROLLUP PREMIUM
(f) OTHER

RESPONSE:

Items (a) through (e) above are defined in Chapter I, pages 35 and 36 of LR J-50, (Section IV of file Rfdescr01s.DOC, Description of the Production of Cost Change Factors to Support the Postal Service Roll-Forward Model). Item (f) is not used in this rate filing. The method used to calculate each type of personnel cost level change can be found in Chapter VII, pages 414-418 of LR J-50, file Puncst01s.DOC, Development of Personnel Unit Costs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-10. Please refer to Exhibit 6O of your testimony. For pay increases that begin in the middle of one year, please describe the meaning of an effective pay increase amount that occurs in the following year.

RESPONSE:

Please refer to section IV.B. on page 36 of LR J-50, for an explanation of how wage changes are separated between new costs and carryover costs (file Rfdescr01s.DOC, Description of the Production of Cost Change Factors to Support the Postal Service Roll-Forward Model).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-11. Please refer to Exhibits 6O and 6Q of your testimony. Please explain the relationship between the $163.95 and $409.45 figures in the FY 2002 column of Exhibit 6O and the $131,853 figure in the Carryover COLA cost column on page 2 of Exhibit 6Q.

RESPONSE:

The total impact of the COLA carryover costs for City Carriers in FY 2002 of $131,853,000 is calculated by multiplying the FY 2002 effective unit costs of $163.95 and $409.46 (note the typographical error in the question) by FY2002 estimated base workyears for City Carrier career and transitional employees. The formula used and the details of the calculations can be found in LR J-50, workbook Rf_Rpts_01s.XLS, sheet Analysis of Pers Cost Lvl Chg.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-12. Please refer to Footnote 17 on page 17 of your testimony and Footnote 18 on page 18 of your testimony. Please explain the difference between the $1.4 billion in breakthrough productivity savings mentioned in Footnote 17 and the approximately $1.1 billion in breakthrough productivity savings ($351 million plus $400 million plus $350 million) identified in Footnote 18.

RESPONSE:

Please refer to USPS Library Reference J-49. As reflected on Exhibit G, the total impact of Breakthrough Productivity for the period FY 2001 – FY 2003 is a cost reduction of $1.411 billion (footnote 17). The amount reflected in the other program column is $1.1 billion (footnote 18) and the amount reflected in the cost reduction column is $312 million.

DMA/USPS-T6-14. Please provide the date each of the forecasts was prepared for each of the 18 series you show in your exhibit USPS 6T.

RESPONSE:

Please see the response to interrogatory DMA/USPS-T6-8(e).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-15. Page 62 of your test says that "Total Factor Productivity (TFP) measures the growth or decline in the Postal Services productivity from year to year.
(a) Please provide total factor productivity changes for all years that the aUSPS has been calculating TFP.
(b) Please provide TFP for TYAR.
(c) Please also fully describe the methodology for calculating TFP.

RESPONSE:

(a) Please see the attachment to this response.

(b) There have been no TFP calculations made beyond FY 2002.

(c) See USPS Library Reference H-279, Docket No. R97-1, Total Factor Productivity.

Attachment to Response
to DMA/USPS-T6-15(a)

U. S. POSTAL SERVICE
FY 1971 - 2000

FISCAL YEAR	TFP %CHG. FROM SPLY	LFP %CHG. FROM SPLY
1971	1.2%	1.5%
1972	1.2%	0.8%
1973	4.0%	4.3%
1974	-1.7%	-2.0%
1975	-0.9%	-0.4%
1976	-0.5%	-0.4%
1977	2.0%	2.9%
1978	3.3%	3.0%
1979	-2.1%	-2.0%
1980	0.4%	1.2%
1981	0.2%	-0.4%
1982	-1.3%	-0.6%
1983	-0.6%	0.4%
1984	0.3%	0.3%
1985	-0.2%	0.3%
1986	1.9%	1.9%
1987	0.3%	0.5%
1988	0.1%	0.5%
1989	-0.7%	0.1%
1990	2.9%	3.4%
1991	-1.8%	-0.1%
1992	0.4%	1.0%
1993	3.8%	4.6%
1994	-0.2%	0.8%
1995	-1.9%	-1.3%
1996	-1.3%	-0.1%
1997	1.2%	1.7%
1998	-1.1%	1.2%
1999	-0.1%	0.9%
2000	2.5%	2.1%

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-16. Given the timing of the filing of Docket No. R2001-1, please confirm that the USPS could implement the rates resulting from this case before the start of the test year.

RESPONSE:

Assuming that the Postal Rate Commission consumes the full ten month statutory period for considering the Postal Service's request, and given the time necessary for the Governors to consider and order rates changes into effect and the additional lead time necessary for software changes to reflect those rate changes, it is unlikely that the Postal Service could implement rates more than ten days prior to the beginning of the test year. We have asked the Postal Rate Commission to expedite consideration of this rate request to supply the flexibility in timing the increase in relationship to the Postal Service's fluid financial situation. The Postal Service will consider the actual timing of rate implementation based on a review of the facts and circumstances as they exist at the time the Postal Rate Commission issues its recommended decision.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-17. Please confirm that the mail volume and mail and services revenue forecasts for 2003 in your Exhibit USPS 6T are before rates estimates.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-18. On page 6 of your testimony, you state, "The 3.2 percent expense growth projected for FY 2002 is the second lowest such growth rate over the 13 years in the table, as well as the second lowest such rate since Postal Reorganization in 1971."
(a) Please provide volume changes on this chart.
(b) Please confirm that when you do so, the volume growth for this year will be the third lowest on the chart.

RESPONSE:

(a) The requested volume changes are provided in Exhibit USPS-6T, page 2 of 3.

(b) Not confirmed. As shown in Exhibit USPS-6T, starting in 1991 there are three other years with volume growth rates less than the 1.1 percent growth projected for FY 2002. There are also two years with volume growth rates very similar to that projected growth rate – those are the 1.5 percent growth rates in FY's 1995 and 1996. In only one of these five years with volume growth rates similar to or less than the projected growth in FY 2002 is the expense growth less than 3.2 percent.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-19. On page 6 of your testimony, you state, "The 4.1 percent projected expense growth for FY 2003 before rates is lower than eight of the thirteen years displayed in the table" Please refer to your Exhibit 6C.
(a) Please confirm that the exhibit shows total mail growth of 6.639 billion pieces between FY 2002 and TYBR.
(b) Please confirm that of these 6.639 billion pieces, 5.193 billion are Standard Mail.
(c) Please also confirm that the unit cost for Standard Mail is less than the average unit cost for all mail.

RESPONSE:

(a) Confirmed.

(b) Confirmed, consistent with the trend over the entire thirteen-year period mentioned in the question, that the vast majority of mail volume growth is concentrated in Standard Mail.

(c) Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-20. Table 9 on page 10 of your testimony provides assets from FY 1989 to FY 2000. Please provide assets from 1972-1988.

RESPONSE:

The requested information can be found in the Annual Reports of the Postmaster General which are available in the U.S. Postal Service Library.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-21. In the last five years, has the Postal Service asked Congress to increase the USPS debt limit. If so, please provice the date of each request and the position that the House and Senate took on raising the Postal Service's debt limit in response to each request.

RESPONSE:

The Postal Service has not asked Congress to increase the USPS debt limit in the last five years.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-22. On page 11 of your testimony, you state, "In my testimony that follows, I project the expected results for the Test Year. The Test Year deficiency, if the proposed rates are not implemented, will be approximately $5.3 billion, which includes a reasonable contingency and prior years' losses recovery."
(a) Please confirm that the projected loss in the Test Year is $2.460.7 billion. If you cannot do so, please provide the correct figure.
(b) Please confirm that the difference between the "Test Year deficiency" and the projected loss is a contingency of $2.191 billion dollars and recovery of prior years losses of $632.8 million.

RESPONSE:

(a) Confirmed that the projected net loss, excluding the contingency and recovery of prior years' losses is $2.4507 billion.

(b) The "Test Year deficiency" includes two critically necessary revenue requirement items in addition to the projected net loss. These are the contingency provision and the provision for prior years' losses recovery. As is explained in Section III.C.2. of my testimony, the contingency provision relates to the overall operation of the Postal Service and does not bear any necessary relationship to the size of the proposed rate increase (or the size of the projected test year net loss.) The prior years' losses recovery provision represents one-ninth of the cumulative net losses incurred since postal reorganization. As is shown on Exhibit USPS-6A, the before rates test year contingency amount is $2.191 billion and the recovery of prior years' losses provision is $632.8 million.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-23. Please refer to your Exhibit USPS 6-M.
(a) Please confirm that total USPS accrued costs are estimated to increase by $3.229 billion from FY 2000 to FY 2001, by $2.162 billion from FY 2001 to FY 2002, and by $1.841 billion from 2002 to TYAR. If you cannot confirm, please provide the correct amount.
(b) Of these increases, what percentage is due to cost-level increases in each of these years?
(c) Of these increases, what percentage is due to the city carrier non-volume workload effect in each of these years?
(d) Of these increases, what percentage is due to the rural carrier non-volume workload effect in each of these years?

RESPONSE:

(a) Confirmed.

(b) The percentage of the total increase due to cost-level is reflected on the Exhibit.

(c) For Fiscal Years 2001-2003 AR, city carrier non-volume workload is estimated to add $46 million, $49 million, and $52 million respectively. This represents 1.4%, 2.3%, and 2.8% of the total estimated increase in costs for each year. Please note that this represents the labor cost for city carriers only. It does not include other costs that would result such as piggyback costs and the cost of increased facilities space and vehicles. Please note as well that the aggregate cost effects for the Mail Volume Effect and Final Adjustments (which largely reflect mail mix shifts) are sharply negative ($-689.6 million) through the test year after rates. This indicates that mail volume is not only losing its ability to support network growth, it is also losing its ability to support the existing network.

(d) For Fiscal Years 2001-2003 AR, rural carrier non-volume workload is estimated to add $63 million, $70 million, and $75 million respectively. This represents 2.0%, 3.3%, and 4.1% of the total estimated increase in costs for each year. Please note that this represents the labor cost for rural carriers only. It does not include other costs that would result such as piggyback costs and the cost of increased facilities space and vehicles. See also the response to (c) above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-24. On page 14 of your testimony you state, "Additional delivery points are an important expense driver for the postal system. Between the base year and the test year the Postal Service will have added approximately 5 million new delivery points to its network. This is equivalent to three cities the size of Chicago. The Postal Service does not charge for existing or new delivery points. This is very different from other services, such as electric, gas, water, and local telecom, which virtually without exception have some sort of monthly access, hookup, or system charge. Moreover, our pricing structure is not designed to fund network growth. When mail volume growth is less than network growth, as it is currently and is projected to be the case through the test year after rates on a cumulative basis, this limitation of our pricing structure places pressure on rates to rise faster than inflationary pressures otherwise dictate. "

(a) Please confirm that in the rollforward program the non-volume workload effect for city carriers is less than $46 million in FY 2001, less than $50 million in FY 2002, and about $52 million in the Test Year. If you can not do so, please provide the correct figures.

(b) Please confirm that in the rollforward program the non-volume workload effect for rural carriers is $63 million in FY 2001, $70 million in FY 2002, and about $75 million in the Test Year. If you cannot do so, please provide the correct figures.

RESPONSE:

(a-b) Please see the response to DMA/USPS-T6-23.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-25. On page 16 of your testimony, you state, "As identified in Section f. below, large Breakthrough Productivity Initiative (BPI) savings or Bold Actions in Cost Segment 2 are identified in Fiscal Year 2002 ($69.0 million) and Fiscal Year 2003 ($50.0 million)."

(a) Please define and describe "Bold Actions" in as much detail as possible.

(b) Please provide all material in the possession of USPS explaining the meaning of "Bold Actions."

RESPONSE:

(a) "Bold Actions" is the term used in FY 2001 to describe what were referred to as "Breakthrough Productivity Initiatives" in previous years.

(b) Please refer to pages 5 and 6 of the FY 2002 Integrated Financial plan, provided as Attachment I to OCA/USPS-T6-7.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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DMA/USPS-T6-26. Please list all cost reduction programs for FY 2001 that were included in the rollforward in Docket No. R2000-1 that are not part of the rollforward in Docket No. R2001-1. For each of these programs, please provide the cost savings estimated in Docket No. R2000-1 and describe why it is not included in Docket No. R2001-1.

Response:

The cost reductions developed for Docket No. R2000-1 can be found in USPS-LR-I-126, Exhibit E, page 3. The cost reductions developed for the Postal Service's response to Order No. 1294 can be found in Exhibit USPS-ST44-Z of witness Patelunas's testimony, USPS-ST-44. The cost reductions developed for Docket No. R2001-1 can be found in USPS-LR-J-49, Exhibit E, page 1.

One would not expect the list of cost reduction programs to be the same in the different dockets, or even from year-to-year. As conditions change, assumptions relating to deployment schedules, mail volumes, operating environments, etc. will also change. The conditions facing the Postal Service while preparing the R2001-1 filing were very different from the conditions existing during the preparation of R2000-1. In some instances, cost reductions expected to occur in FY 2001 in R2000-1 may have been advanced into FY 2000 and as such, would not appear as FY 2001 cost reductions in R2001-1. In other instances, the cost reductions may have been delayed until later than FY 2001, or completely terminated. In other cases, new initiatives were identified that resulted in new R2001-1 cost reduction programs that were not included in the R2000-1 filing.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-27. Please refer to Table 6 on page 8 of your testimony.
(a) Please confirm that the time periods listed in the first column are Government Fiscal years.
(b) Each of the two rows following the row labeled "TQ" is labeled "FY 1977." Please confirm that "TQ" is an abbreviation for "Transition Quarter".
(c) Please confirm that the first of these two rows should be labeled "FY 1976". If you do not confirm, please provide the appropriate label and an explanation thereof.
(d) If the time periods listed in the first column are Government Fiscal years, please explain the need for and meaning of a "TQ".

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) Not confirmed. The row labeled T.Q. should be labeled FY 1976 and the first row labeled FY 1977 should be labeled T.Q. The mislabeled rows are due to typographical errors.

(d) In 1976 the end of the Government Fiscal Year was changed from June 30 to September 30. The Transition Quarter or "TQ" covered the three month transition period between the old fiscal year ending on June 30 and the new fiscal year ending on September 30.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-28. On May 7, DMNews had a headline "Kmart runs banners ads on USPS web site".

(a) Please confirm that these ads ran.

(b) Please also confirm that the story said.

"Banner advertising on the USPS Web site is offered as part of the Postal Ad Network, which makes a variety of postal service assets available to advertisers, including delivery vehicles, collection boxes, and Priority Mail and Express Mail packaging.'

(c) How long has the Postal Ad Network been in existence?

(d) For each of these years, what were its revenues?

(e) Are projected revenues for the Network included in revenue estimates of FY 2001 through FY 2003? (i) If not, why not? (ii) If so, where are they reflected and what is their magnitude?

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) The Postal Ad Network was created at the beginning of FY 2001. In the Postal Service's August 2000 filing in response to Order 1294, the Postal Service included an estimated $100 million in revenue from the Postal Ad Network.

(d) Actual revenue for FY 2001 was $2.8 million. In addition, approximately $6 million in advertising costs were not incurred because of Postal Service advertising used on Postal Vehicles and envelopes.

(e) The rate case FY 2002 and 2003 projections reflect $20 million and $40 million from the Postal Ad Network, respectively. These projections are aggressive and are a source of considerable financial risk.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-29. Please provide a copy of the Corporate Flats Strategy, prepared by Operation Planning and Processing, July 2001.

(a) Please confirm that page 2 says, "To ensure that these and other flat-shaped products remain affordable, actions must be immediately taken to mitigate recent cost increases."

(b) Please list all such actions that the Postal Service has taken or intends to take prior to the end of the Test Year.

(c) Are all such actions reflected in cost reduction or other programs?

(d) If your answer to (c) is yes, please provide a reference for each.

(e) If your answer to (c) is no, please explain why.

Response:

The Corporate Flats Strategy has already been provided as USPS-LR-J-151.

(a) Not confirmed. The correct quote is: "To ensure that these and other flat-shaped products remain affordable, actions must be immediately taken to mitigate recent cost trends."

(b) In addition to the list of actions provided in USPS-LR-J-151, please see the response of the Postal Service to Postcom/USPS-T-39-10.

(c – e) Generally yes. Please see Attachment 1 that accompanies this response for a comparison of the cost reductions and other programs in the Corporate Flats Strategy and R2001-1. As the Postal Service's operating environment changes, both physically and financially, programs will be planned, begun or never started, terminated or completed early, shifted into future planning, etc. As such, the costs and savings associated with programs will change over time as the environment changes, and comparison of even the same program at two different points in time may be a comparison of apples and oranges.

Full Time Employee equivalent/Workyears

1/

	Corporate Flats Strategy			Total
	FY 2001	FY 2002	FY 2003	
AFSM 100 (1st deployment)	2,369	663	-	3,032
AFSM 100 (2nd deployment)	533	4,056	1,270	5,859
Automated Package Processing System (APPS)	-	-	298	298
FSM 1000 Automated Flat Feeder and OCRs	(1)	443	437	879
SPBS Feed System (228 buy)	137	5	-	142
SPBS Feed System (37 buy)	12	-	-	12
TMS, Phase 3	468	338	83	889
Universal Transport System	(3)	20	3	20
Total	3,515	5,525	2,091	11,131

2/

	R2001-1 (USPS-LR-J-49)			Total
	FY 2001	FY 2002	FY 2003	
AFSM 100 (1st deployment)	2,370	690	-	3,060
AFSM 100 (2nd deployment)	452	6,303	1,377	8,132
Automated Package Processing System (APPS)	-	-	-	-
FSM 1000 Automated Flat Feeder and OCRs	-	50	410	460
SPBS Feed System (228 buy)	133	8	-	141
SPBS Feed System (37 buy)	13	-	-	13
TMS, Phase 3	498	330	68	896
Universal Transport System	(3)	14	6	17
Total	3,463	7,394	1,862	12,719

	Difference (R2001 - Strategy)			Total
	FY 2001	FY 2002	FY 2003	
AFSM 100 (1st deployment)	1	27	-	28
AFSM 100 (2nd deployment)	(81)	2,247	107	2,273
Automated Package Processing System (APPS)	-	-	(298)	(298)
FSM 1000 Automated Flat Feeder and OCRs	1	(393)	(27)	(419)
SPBS Feed System (228 buy)	(4)	3	-	(1)
SPBS Feed System (37 buy)	1	-	-	1
TMS, Phase 3	30	(8)	(15)	7
Universal Transport System	(3)	(3)	(3)	(10)
Total	(55)	1,872	(236)	1,581

1/ USPS-LR-J-151, page 7
2/ USPS-LR-J-49: Net Cost Reductions and Other Programs
: Cost Reductions (See Exhibit E)
: Other Programs (See Exhibits A-C)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-30. The September 17, 2001 issue of Business Mailers Review (attached), at page 6, says, "PMG Potter opened the board meeting last week with a report on his first 100 days as postmaster general. In his comments he noted that the Postal Service plans to announce the consolidation of whole plants or tours in mid-October, to be effective in January."

(a) Please confirm these comments.

(b) Please describe the consolidation in as much detail as possible, including the plants or tours that will be affected.

(c) Is the consolidation reflected in the Postal Service's filing in this case?

(d) If your answer to (c) is yes, where are they reflected?

(e) If you answer to (c) is no, why are they not reflected?

RESPONSE:

(a) Confirmed.

(b) Consolidation of mail processing operations has always been a Postal Service strategy to obtain greater productivity and reduce costs. As part of a strategy of Bold Actions, an aggressive refocus on Area Mail Processing (AMP) is included to maximize success of automation technology Specific targeted opportunities include:

- AMP of Saturday First-Class originating operations
- AMP of all First-class originating operations
- Consolidation of First-Class incoming operations
- Consolidation of overnight Priority Mail processing
- Consolidation of Originating Priority Mail processing
- Consolidation of originating and destinating Priority Mail processing
- Closing of annexes
- Consolidation of facilities

The following table lists consolidations to be implemented in FY 2002"

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

AREA MAIL PROCESSING (AMP) CONSOLIDATIONS		
OFFICE FROM	OFFICE(S) TO	Type
Anaheim, CA P&DC	Industry, CA P&DC & Santa Ana, CA P&DC	Originating
Ashland, KY P&DF	Huntington, WV P&DC	Originating
Batesville, AR PO	Jonesboro, AK PO	Originating
Beckley, WV PO	Charleston, WV P&DC	Originating
Bluefield, WV PO	Charleston, WV P&DC	Originating
Bridgeport, CT P&DF	Stamford, CT P&DC	Originating
Bristol, TN PO	Roanoke, VA P&DC	Originating
Bronx, NY P&DC	Morgan, NY P&DC	Originating
Burlington, IA PO	Quad City, IL P&DF	Originating
Chillicothe, OH PO	Columbus, OH P&DC	Originating
Fort Smith, AR PO	Fayetteville, AR PO	Originating
Greensburg, PA PO	Pittsburgh, PA P&DC	Orig/Dest
Greenville, TX PO	North Texas P&DC	Destinating
Harrison, AR PO	Fayetteville, AR PO	Originating
Kinston, NC PO	Fayetteville, NC P&DC	Originating
Lufkin, TX PO	East Texas P&DC	Originating
Pasadena, CA P&DC	Los Angeles, CA P&DC	Originating
Steubenville, OH PO	Youngstown, OH P&DF	Originating
Tuscaloosa, AL PO	Birmingham, AL P&DC	Originating
Waterbury, CT P&DF	Southern, CT P&DC	Originating
Wheeling, WV PO	Pittsburgh, PA P&DC	Orig/Dest
Wilkes-Barre, PA P&DF	Lehigh Valley, PA P&DC & Scranton, PA P&DF	Orig/Dest
Zanesville, OH PO	Columbus, OH P&DC	Originating

(c) Yes.

(d) While the details of some initiatives were not known when the revenue requirement was developed, FY 2002 and FY 2003 Breakthrough Productivity Initiative (BPI) or

Bold Action savings were included for clerks and building service employees. These savings, which total $134 million for FY 2002 and $119 million for FY 2003, are summarized in LR J-49, Exhibit B.

(e) See the response to part (d).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-31. The September 17, 2001 issue of Business Mailers Review, at page 6, goes on to say "In addition, the USPS continues to work closely with stakeholders and the General Accounting Office to develop a transformation plan. 'an initial draft outlining the many areas of consideration will be forthcoming at the end of the month:, he [PMG Potter] said.'" Please provide the draft.

RESPONSE:

Please see LR-J-163, Outline for Discussion: Concepts for Postal Transformation, September 30, 2001.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-32 The September 17, 2001 issue of Business Mailers Review, at page 4, says "The new organization reduces the number of Headquarters officers by 20% and downsizes the number of headquarters and headquarters-related positions by 800 people. Potter has eliminated two area offices, the Mid-Atlantic and Midwest areas, folding their territory into other areas. The eight area offices will continue to reduce their staffs to meet their 30% reduction target."

(a) Are the cost savings from these changes reflected in cost reduction program or other programs?
(b) If so, where?
(c) If not, why not?

RESPONSE:

(a) Yes. While the specifics of these actions were not known at the time the revenue requirement was prepared, Breakthrough Productivity Initiative (BPI) savings were reflected for Headquarters and related Field Service Units and Area Administration. BPI saving for Headquarters and Field Service Units, and Area Administration are summarized in LR J-49, Exhibit D. These total $99 million, $49 million, and $50 million, respectively for Fiscal Years 2001-2003.
(b) These savings are reflected in cost components 191 and 193 in cost segment 18.
(c) See the response to (a).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE DIRECT MARKETING ASSOCIATION

DMA/USPS-T6-33. Payments are due the Postal Service under the Revenue Foregone Reform Act of 1993.

(a) Please describe the timing of payments due to the Postal Service under the Revenue Foregone Reform Act of 1993.
(b) Has the Postal Service asked Congress to advance payments on the schedule?
(c) If not, does the Postal Service intend to ask Congress to advance payments on the schedule?
(d) Are advanced payments reflected in the projected revenues of the Postal Service?
(e) If Congress were to pay their RFRA liability in advance of the schedule, how would the Postal Service book the revenue?

RESPONSE:

(a) As explained on page 72 of my testimony, "the Revenue Forgone Act of 1993 authorized the appropriation of $1.218 billion in 42 annual $29 million payments through FY 2035".
(b) Yes, the Postal Service has requested a supplemental appropriation of $957 million for FY 2002.
(c) See the response to part c.
(d) No.
(e) If the $957 million was received in FY 2002 as requested, accounts receivable would be reduced by $370 million and revenue of $587 would be recognized.

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: 11-2-01

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.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
November 2, 2001