

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRADLEY  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
(UPS/USPS-T14-21-22)

The United States Postal Service hereby provides responses of witness  
Bradley to the following interrogatories of United Parcel Service:

UPS/USPS-T14-21-22, filed on August 4, 1997.

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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August 18, 1997

Response of United States Postal Service Witness Bradley  
to  
Interrogatories of UPS

UPS/USPS-T14-21. Please refer to page 13 of your direct testimony, where you discuss the adjustment lag to new processing technologies.

- a. Please state the length of one "period" of adjustment.
- b. Please explain why only one lag was chosen to allow for adjustment.
- c. Is there empirical evidence to support the choice of a one period lag? If so, please provide all such evidence and explain.
- d. Is there any anecdotal evidence to suggest that adjustments take only one period? If so, please provide all such evidence and explain.
- e. Was the possibility of using a two period adjustment investigated? If so, please explain why it was not selected.
- f. Please explain how the result of your costing analysis differs between MODS and PIRS.

UPS/USPS-T14-21 Response:

I am not discussing the adjustment lag to new processing technologies on page 13. On page 13, lines 12-16, I am discussing the adjustment of hours to changes in volume. I discuss the adjustment to technological change on page 14, lines 21-23 where I state:

Although the Postal Service may introduce a new machine in a particular period, it takes many accounting periods before the full adjustment to that new technology has occurred.

- a. As stated in the above quotation, the adjustment does not take one period, but many periods. That is why I state on page 14 of my testimony, "A trend approach is particularly well suited for looking a mail processing labor costs because changes in technology generate smooth changes in mail processing productivity."

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- b. As stated in my testimony, I allow for many periods of adjustment, not one.
- c. Not applicable.
- d. Not applicable.
- e. Not applicable.
- f. I am not sure what comparison is requested. The detailed results for the MODS and PIRS costing analyses are provided in my testimony.

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Interrogatories of UPS

UPS/USPS-T14-22. Please refer to page 27 of your direct testimony, where you discuss the three digit MODS codes that can be included in one particular activity.

- a. Please confirm that you captured all three digit codes for all activities you analyze. If so confirmed, please explain how you can be certain that you did so? If not confirmed, please explain.
- b. Please explain any ambiguities in assigning three digit MODS codes to an activity.

UPS/USPS-T14-22 Response:

- a. Confirmed. I followed the following procedure to ensure that I captured all relevant three digit MODS codes for a particular activity:

Step 1: Worked with experts on MODS to identify the relevant MODS codes for any activity. MODS codes are specifically defined in the Update to Handbook M-32, presented in Exhibit USPS-14A, in my testimony.

Step 2: Select the relevant codes for each activity. Review the relevant codes for consistency with the identifications made in Step 1.

Step 3: Provide the selected codes to Postal Service personnel for audit and review.

- b. There are two factors that must be kept in mind in assigning three digit MODS codes to activities. First, multiple three digit codes may be used for the same activity and, second, the Postal Service provides the multiple-code option to local

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facilities. I explain this first potential ambiguity on page 26 of my testimony:

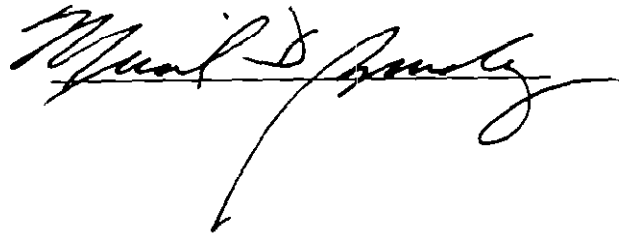
In fact, multiple three digit codes may be used for the same mail processing activity. This may occur because different three digit codes reflect different sortation schemes being run. For example, consider the flat sorting machine (FSM) activity. MODS codes 141 through 148 are all FSM operations, but, as Table 2 shows, each is a different sort scheme.

I explain the second potential ambiguity on page 27 of my testimony:

In other cases, the Postal Service provides the multiple-code option to local facilities to allow them to collect even more detailed data on a local basis. For example, MODS codes 110 through 114 are all for Opening Unit Outgoing - Pref.

DECLARATION

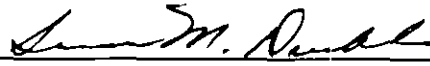
I, Michael D. Bradley, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, reading "Michael D. Bradley". The signature is written in black ink and is positioned to the right of the declaration text.

Dated: August 18, 1997

## 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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