

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

RECEIVED
AUG 18 4 56 PM '97
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TREWORY TO INTERROGATORIES OF
UNITED PARCEL SERVICE
(UPS/USPS-T22-1-11)

The United States Postal Service hereby provides responses of witness Treworgy to the following interrogatories of United Parcel Service: UPS/USPS-T22-1-11, filed on August 4, 1997.

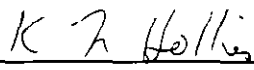
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083; Fax -5402
August 18, 1997

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 1 of 14

UPS/USPS-T22-1. Please confirm that the new hand held scanner will initially be used solely for delivery confirmation. If not confirmed, please explain.

RESPONSE.

Not confirmed. See USPS-T-22 (page 1, line 20 to page 4, line 3) for an explanation of the variety of purposes and products for which the hand-held scanners will be used. The Postal Service plans to utilize the scanners initially for most of these purposes and products, not just delivery confirmation

**U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE**

Page 2 of 14

UPS/USPS-T22-2. Please refer to pages 2-3 of your direct testimony, where you discuss the "delivery and collection management" and "service performance measurement" uses of the new hand held scanners.

- a. Please indicate what measures, if any, have been taken to initiate the use of the hand held scanner program in these areas.
- b. Please provide all memoranda, reports, studies, timetables, or other documentation supporting the use and timetable for implementation of these uses of the scanners.

RESPONSE.

- a. With regard to collection management, my understanding is that hand-held scanners will, upon deployment to a particular postal facility, immediately be used for this purpose. The functional requirements for this use of the scanners have been specified in the software design. Usage of the hand-held scanners for delivery management requires supplemental equipment to work in conjunction with the scanners; the Postal Service anticipates issuing a solicitation for this procurement in the next two months. As with collection management, the current software design includes delivery management functions.

With regard to service performance measurement, my understanding is that no special measures will be necessary to utilize the data produced by the delivery confirmation system to assist with this analysis. Acceptance/delivery dates and ZIP Codes by piece will be captured in a database, patterns in this information should be immediately available for translation into performance results.

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 3 of 14

- b. My understanding is that documentation supporting the use and timetable for the scanners is not available at this time because a contract has not yet been awarded to a vendor to provide the scanners. The selection of the vendor will determine critical implementation factors such as the scanner production/delivery schedule.

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 4 of 14

UPS/USPS-T22-3. Please refer to page 3, footnote 3, of your testimony and confirm that, currently, the new hand held scanners will be used only for Priority Mail and Standard (B) delivery confirmation. If not confirmed, please explain.

RESPONSE.

Not confirmed. See my response to UPS/USPS-T22-1.

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 5 of 14

UPS/USPS-T22-4.

- a. Please confirm that the specifics of how the scanners will be used for delivery confirmation (or other purposes) for Express Mail, inbound international mail, Certified Mail, Registered Mail, and insurance special services have yet to be determined. If not confirmed, please explain.
- b. Please provide all memoranda, reports, studies, timetables, or other documentation supporting the use and timetable for implementation of these anticipated uses of the scanners.

RESPONSE.

- a. Partially confirmed. Development of specifics on how the scanners will be used for delivery confirmation was necessary for purposes of developing unit costs for the current filing. While analyses comparable to that prepared for delivery confirmation have not been developed for other anticipated uses, certain levels of planning have occurred to those ends. This planning process will continue even as the current filing progresses.

For example, while the specifics of scanner use for Express Mail have not been outlined in a fashion comparable to delivery confirmation, the process will be like the current procedures that utilize the CTT scanners with the exception that the delivering employee will perform the delivery scans. CTT scanners will be removed from delivery offices and other facilities and replaced with the new hand-held scanners as part of the roll-out of the new scanners.

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 6 of 14

Similarly, it is envisioned that international inbound mail will utilize the scanners for comparable services sold by foreign postal administrations. While specific financial and operational agreements have not been reached with these organizations, the actual planning and introduction of such services should be neither difficult nor time-consuming because the processes will be the same as for domestic mail. Hence, there is no reason to believe that the implementation of these uses of the scanners will lag significantly behind delivery confirmation and Express Mail.

Certified Mail, Registered Mail, and insurance special services require the introduction of barcoded labels in order to utilize the hand-held scanners. My understanding is that the development of these labels is in process and their deployment should coincide with the roll-out of the hand-held scanners.

- b. See my response to UPS/USPS-T22-2b.

**U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE**

Page 7 of 14

UPS/USPS-T22-5. Please verify that there are only 9 steps for Table 5 on page 9 of your direct testimony. If not confirmed, please explain

RESPONSE.

Confirmed.

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 8 of 14

UPS/USPS-T22-6. Please describe the type(s) of labels that will be used for delivery confirmation. Please include in your answer a discussion of whether or not either form 2 or form 3849 will be used with the delivery confirmation service.

RESPONSE.

There will be two types of labels used for delivery confirmation. The Postal Service will provide preprinted labels which include a barcode and an identification number. Customers can also print their own DC barcode, which must meet Postal Service specifications. Forms 02 and 3849 will not be used with the delivery confirmation service once all hand-held scanners have been deployed.

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 9 of 14

UPS/USPS-T22-7. Please provide a more detailed description of the capital and program costs listed in your Worksheet C-1. Include in your answer a description of the components of "Miscellaneous" under Program Costs, which accounts for 19 percent of those costs.

RESPONSE.

The six line items in worksheet C-1 listed under "Capital costs" are explained as follows (all figures in thousands). Information systems (\$14,886.4) includes host processor hardware, associate office modems and telecommunications, project management contract labor, servers and modems, network hardware, PMPC modems and telecommunications, and test lab hardware. Carrier scanners (\$42,430.0) includes hand-held scanners for deployment to carrier routes, racks and power protection equipment, recharge cradles, shipping, and spare batteries. Box section scanners (\$6,751.1) includes hand-held scanners for deployment to box sections, racks and power protection equipment, recharge cradle, shipping, and spare batteries. Support for carrier scanners (\$161.3) includes software development, documentation, testing, and training materials provided by the vendor. Support for box section scanners (\$25.7) similarly includes software development, documentation, testing, and training materials provided by the vendor. Miscellaneous costs (\$1,058.7) include image scanner hardware, Express Mail (CTT) scanner hardware, project management computers, training computers, and printer hardware.

The six line items in worksheet C-1 listed under "Program costs" are explained as follows (all figures in thousands). Information systems (\$64,723.5) includes facility site surveys, system implementation, hardware maintenance, software development and maintenance, and telecommunications installation. Carrier scanner support and maintenance (\$9,259.7) includes

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 10 of 14

maintenance contracts, quality assurance personnel, support personnel, purchasing support, and program management support. Box section scanner support and maintenance (\$1,473.3) similarly includes maintenance contracts, quality assurance personnel, support personnel, purchasing support, and program management support. Call center development (\$183.2) represents the cost of Postal Service labor for setting up IVR requirements. Training (\$22,032.9) includes training labor, training development and field support, training materials, and travel. Miscellaneous costs (\$22,558.0) include project management labor and travel, program support/development, CTT and image scanner maintenance, labels, advertising, and startup packages.

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 11 of 14

UPS/USPS-T22-8. Please confirm that the non-volume variable portion of the capital and program costs (72 percent of the total) are treated as institutional costs and not as specific-fixed costs. If not confirmed, please explain.

RESPONSE.

Confirmed.

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 12 of 14

UPS/USPS-T22-9. Please refer to your Worksheet C-2.

- a. Please confirm that your proposed distribution key allocates 0.81% of costs to Priority Mail and 1.03% of costs to Fourth-class mail.
- b. Please confirm that Priority Mail and Fourth-class Mail are the only classes of mail for which there is a scheduled application of the scanner. If not confirmed, please explain.
- c. Please confirm that your proposed distribution key allocates 98.2% of the volume-variable capital and program costs to classes of mail for which the scanners currently have no specific scheduled application. If not confirmed, please explain.

RESPONSE.

- a. Confirmed.
- b-c. Not confirmed. See my responses to UPS/USPS-T22-1-4.

U.S. POSTAL SERVICE WITNESS DAVID E. TREWORTHY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE

Page 13 of 14

UPS/USPS-T22-10. Please explain why you did not select a distribution key which would distribute costs only to those classes of mail (Priority and Standard (B)) which, at this time, are the only classes scheduled to make use of this service.

RESPONSE.

Priority and Standard B are not the only classes scheduled to make use of this service. See my responses to UPS/USPS-T22-1-4.

**U.S. POSTAL SERVICE WITNESS DAVID E. TREWORGY
RESPONSE TO INTERROGATORIES OF UNITED PARCEL SERVICE**

Page 14 of 14

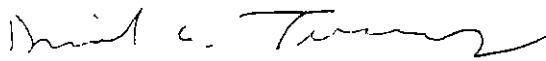
UPS/USPS-T22-11. Please explain why you did not elect to classify the non-volume variable portion of the scanner capital and program costs as specific-fixed to those classes of mail (Priority and Standard (B)) which, at this time, are the only classes scheduled to make use of this service.

RESPONSE.

Priority and Standard B are not the only classes scheduled to make use of this service. See my responses to UPS/USPS-T22-1-4.

DECLARATION

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



DAVID E. TREWORGY

Dated: 8/18/97

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.

K N Hollies

Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
August 18, 1997