

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

RECEIVED
AUG 22 4 32 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 TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T9-1-19)

The United States Postal Service hereby provides responses of witness Tayman to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T9-1-19, filed on August 8, 1997. Interrogatory OCA/USPS-T9-7 was redirected to witness Patelunas.

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



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999; Fax -5402
August 22, 1997

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-1. Please refer to your testimony regarding Mail Mix Adjustment.

- a. Please confirm that the mail mix adjustment referred to in your testimony on page 16, lines 6-11, is reflected in your exhibit USPS-9B , page 2, in the column entitled "reclass adjustm" in the total negative amount of \$84,982,000. If you do not confirm, please identify the location of the adjustment and explain the meaning of "reclass adjustm".
- b. Are there any other adjustments for mail mix indicated in your testimony and exhibits? If so, please identify.
- c. Please identify the specific reference source in LR-H-126 where you obtained the mail mix adjustments of \$7,057,000 for cost segment 2 and \$77,925,000 for cost segment 3 referenced on page 2 of your exhibit USPS-9B.
- d. LR-H-126, page II-3, indicates that a number of changes to the rollforward cost adjustment calculation for mail volume mix which were incorporated by witness Patelunas were made too late to make changes in the rollforward. Were these new changes reflected in your exhibits? If not, do you intend to update your exhibit to reflect these changes? Do you know the order of magnitude and the direction which these changes would have on your exhibit?
- e. Please confirm that LR-H-126, which you refer to on page 16 of your testimony, supplements your testimony in addition to the Library References referred to on page 1 of your testimony. If you do not confirm, please explain why it does not.

RESPONSE:

- a. Confirmed.
- b. No.
- c. I obtained the amount of the mail mix adjustment from Patelunas (USPS-T-15) Workpaper B, Table A. These amounts include the impact of piggyback factors applied by witness Patelunas in the rollforward model. The ultimate source of the mail mix

adjustment is Library Reference H-126, which does not include the impact of the piggyback factors applied by witness Patelunas.

d. The detailed calculations contained in LR-H-126 were revised after the completion of my testimony and the testimony of witness Patelunas. The magnitude of these changes is approximately \$11 million which is relatively minor in the context of a \$62 billion revenue requirement. The attached schedule developed by witness Patelunas demonstrates that the impact of this difference by class of mail is also relatively minor. Therefore, I do not intend to update my testimony and exhibits for this difference.

e. Confirmed.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-2. Please indicate where the final adjustments to which you refer on pages 16-17 of your testimony appear in your exhibit USPS-9B.

- a. Do the final adjustments you are referring to appear elsewhere in your exhibits? If so, where do they appear?
- b. Do these final adjustments relate to witness O'Hara's workpaper WP III? If so, what is the relationship?

RESPONSE:

Final adjustments do not appear on rollforward change reports which I have used as my Exhibit B. Final adjustments appear in the rollforward on "D" reports which can be found in USPS-T-15 Exhibits 15C, 15F, and 15 I. Final adjustments can also be found on USPS-T-30 Exhibit F.

a. Final adjustments also appear on my Exhibit 9A. I am informed that USPS-T-30 Exhibits A-G have been revised to correct errors and omissions. Also being filed separately today are those pages and Exhibits from my testimony which were impacted by the final adjustment and revenue changes made to Exhibits 30A, 30B, and 30 F.

b. The final adjustments reflected on USPS-T-30, Workpaper III are conceptually the same final adjustments reflected on my Exhibit 9A, with the exception of a special delivery final adjustment of \$28,000 introduced in USPS-T-15 Appendix D. I am informed that USPS-T-30, Workpaper III, has also been revised for errors and omissions.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-3. Please refer to your exhibit USPS-9B.

- a. Please confirm that the immediate source of the cost adjustments in your exhibit USPS-9B, page 1 (FY97 Development of costs by segments and components) is Library Reference H-10, Exhibit C, page 1. If not, please indicate the immediate source.
- b. Please confirm that the immediate source of the cost adjustments in your exhibit USPS-9B, page 6 (FY98 proposed, Development of costs by segments and components) is Library Reference H-10, Exhibit C, page 2. If not, please indicate the immediate source.

RESPONSE:

- a. I assume by cost adjustments you mean cost reductions. The immediate source of cost reductions is Library Reference H-12, Chapters Va. and Vg. Library Reference H-10 supplements Library Reference H-12 by providing a narrative description and discussion of each cost reduction program including assumptions, methodology and calculations, and a summary on Exhibit C.
- b. Please see my response to part a.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-4. Please confirm that the relevant numbers in your testimony from Part II.C. on page 19 through the end of the testimony on page 48, discussing tables of cost segment changes, contingencies, recovery of prior year losses, revenues and revenue deficiencies from FY 1996 through Test Year, are summarized without adjustment as your exhibit USPS-9A. If you do not confirm, please explain.

RESPONSE:

Which numbers are relevant is a matter of interpretation. For example, equity is reflected in Table 59 on page 48 of my testimony but not on my Exhibit A. All of the numbers summarized on my Exhibit A can be found on pages 19 through 48 of my testimony.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-5. Please refer to Library Reference H-12, Chapter Va, p. 96.

- a. The note at the end of Chapter Va states "Amounts estimated by Program managers may be adjusted as a result of the budget catchall process." Please provide the original managers' estimates for the programs listed in Chapter Va.
- b. Do the workyear conversion factors utilized in calculating cost reductions and other program changes in your exhibit 9B relate back to the workhour conversion factors calculated in LR-12-Chapter Xc, page 323. If so, why did you not use the larger weighted average accrued hours per workyear which also takes into account "part time accrued hours" and "all other accrued hours" to measure the cost reductions?
- c. The notes on LR-H-12, Chapter Xc, p.323, state "Workhours are from Line 10" and "Accrued hours are from Line 30". To what document do these line numbers refer?
- d. Please confirm that all workyears underlying the cost reductions in your exhibit USPS-9B are calculated by dividing the hours shown in Exhibit C of LR-H-10 by the workyear conversion factors for the appropriate cost segment which are derived (except for cost segments 14 and 16) in LR-H-12, Chapter Xc, p 323, and then rounded either up or down in the conventional manner to the nearest whole workyear. If you do not confirm, please explain.

RESPONSE:

- a. As part of the "catchball" process a range of field cost reduction estimates was developed for use in the formulation of the FY 98 operating budgets. The upper bound savings estimates were based upon accelerated equipment deployment schedules. As a result of the "catchball" process the lower bound estimates were determined to be

more realistic and ultimately used to develop FY 98 field operating budgets. The upper bound estimates (which were not used) are reflected on the attached schedule.

This approach was not used for non-operational programs which were zero based by the program managers.

b. The workhour conversion factors utilized in calculating cost reductions and other program changes reflected in my exhibit 9B relate back to the workhour conversion factors calculated in LR-12-Chapter Xc, page 323. The number of workhours per workyear was used because the estimates developed by the program managers are expressed in workhours. The number of accrued hours per workyear would be used to convert accrued hours to workyears. First, I converted workhours to workyears, and then converted workyears to dollars using the average personnel costs per workyear found on page 294 of Library Reference H-12. Please refer to Chapter Va. of Library Reference H-12 where the actual conversion of workhours to workyears was made.

c. Please refer to the line immediately above the ones you have referenced which indicates that the source of this material is the A/P 13 PFY 1996 National Payroll Hour Summary Report.

d. If by your reference to workyear conversion factor you mean the number of workhours per workyear, I confirm.

Operational Cost Reduction Savings
Net Workhour Savings in Thousands

Program	Lower Bound Estimate	Upper Bound Estimate
RBCS	(4,348)	(5,891)
Low Cost OCR	(352)	(470)
3144 CSBCSs	(5,067)	(6,195)
MLOCR Co-Directory/Co-Processor	(1,025)	(2,023)
Dual pass Rough Cull - 44	(36)	(37)
Small Parcel & Bundle Sorter	(454)	(454)
Flat Sorting Machine 1000 Phase 1(100)	(703)	(703)
P&DC Bulk Parcel & Tray Sorter	(46)	(192)
1170 Printer/Label Applicators	(16)	(17)
Improve RCR Encode Rate	(1,045)	(3,500)
MLOCR Enhancement AZV	(78)	(78)
MLOCR Enhancement ZV	(92)	(92)
MLOCR Enhancement Gray Scale	(579)	(579)
Flat Mail OCR	(209)	(203)
Flat Sorter Machine 1000 - Phase 2 (240)	(507)	(912)
PVS	(275)	(259)
Robotic tray Handling System--Plus	(260)	(1,000)
BMC Material Handling Improvements	(178)	(429)
CFS Flats Forwarding Terminal	(219)	(529)
DBCS Phase 4	(82)	(1,100)
Priority Mail Redesign	(1,796)	(1,796)
AMC/AMF Mail Handling System	(126)	(288)
Loose Mail Systems	(181)	(58)
SPBS Feed System	(1,025)	(1,500)
Mail Transport Equipment Service Center	(1,917)	(1,917)

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-6. Please refer to Library Reference H-10.

- a. The discussion of the Remote Bar Coding System (RBCS) 120 Sites at page 5 indicates savings were estimated to decrease by 13,289,000 hours. This amount is converted to work years and multiplied by annual labor cost and is, therefore, reflected in your exhibit USPS-9B as a negative amount which reduces costs. Please confirm that the "savings decrease" phrasing as used in the library reference means a decrease in costs and not a reduction in savings which would be the opposite of a decrease in costs. If you do confirm, do you agree that this characterization is also correct for the other programs discussed in LR-H-10?
- b. Similarly, Library Reference H-12, Chapter Va has column headings entitled "Savings". Please confirm that if the amounts in those columns are positive then there is an increase in costs and that they reflect a reduction in cost (i.e. a savings) only when the amount is negative.

RESPONSE:

- a. Confirmed. If there is any doubt as whether an amount is a savings (decrease) or a cost (increase) refer to Exhibits A, B, and C in Library Reference H-10. All amounts shown in brackets are decreases and all amounts shown without brackets are increases.
- b. Confirmed. However, there are no positive amounts reflected in the columns titled "savings" in Chapter V, Section a., of Library Reference H-12.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-8. Please refer to Library Reference H-10, Section 1.

- a. Please provide the source of the information and any calculations including those by program managers for years FY97 and FY98 relating to the estimated savings in hours for each cost segment in each of the 56 programs listed in Section 1 of Library Reference H-10, pp. 1-22.
- b. Please confirm that in LR H-10 the savings in hours are reflected on Exhibit C but that the increase in hours due to these programs are reflected in Exhibits A and B. If not, please indicate for which programs this is not true.
- c. Please indicate if realization of any of the program cost savings decreases or increases have been delayed and indicate the effect this has on the FY97 program costs shown on Exhibits A-C of Library Reference 10.

RESPONSE:

- a. The basic sources, assumptions, methodology, and calculations, for each of the subject programs are provided in Section 1 of Library Reference H-10.
- b. Confirmed.
- c. FY 1997 program cost increases reflected on Exhibit A of Library Reference H-10 are estimated to be between \$250 and \$350 million less than planned; however, details by program are not available. Also see my response to ANM/USPS-T9-1e. I am informed that none of the deployment schedules related to the FY 1997 cost reduction program amounts reflected in Exhibit C of Library Reference 10 have changed since the estimates were developed.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-9. Please refer to LR-H-10, Section 1, p.5, Remote Bar Coding System (RBCS) 120 sites.

- a. The cost summary indicates lags of six-months for carrier workhour savings and a four-months lag for clerk/mail processing savings. Please *confirm that this means realization of the benefits of the cost savings for this program are estimated to be delayed by these periods of time.* If not, please explain.
- b. Please explain why no lag time was built in for cost increases.
- c. Please indicate if lag times were estimated for the other program cost estimates in Section 1 of LR-H-10.

RESPONSE:

- a. Confirmed.
- b. Costs begin immediately upon program implementation while a learning curve is often involved before savings can be realized.
- c. Most of the cost reduction savings that assumed lag times are described in the narratives in Section 1 of LR-H-10. There are three cost reduction programs that assumed lag times not mentioned in the narratives. They are the Remote Bar Coding System (RBCS) 104 Sites and the Carrier Sort Bar Code Sorter (CSBCS) on page 6, and Multiline Optical character Reader Enhancement (Gray Scale Camera/WABCR) on page 10.

	Volume Mix Adjustment		LR H-126		Difference (1) - (2) (3)	Total Cost @ A Report 3/ (4)	Adjusted Costs (4) - (3) (5)	Percent Change (5)-(4)/(4)
	(1417) (1)	1/ (1)	II-4 (2)	2/ (2)				
First Class Single Piece	-52,402		-32,300		-20,102	10,007,095	10,027,197	0.20%
Presort Private Cards	725		3,369		-2,644	128,910	131,554	2.05%
Bulk Rate Reg								
Car Rte	5,120		4,132		988	1,692,045	1,691,057	-0.06%
Other	-24,810		-32,499		7,689	3,729,680	3,721,991	-0.21%
Nonprofit								
Car Rte	969		801		168	125,192	125,024	-0.13%
Other	-7,054		-9,544		2,490	864,761	862,271	-0.29%
Total	-77,452		-66,041		-11,411	16,547,683	16,559,094	0.07%

1/ USPS-T-5, Workpaper A-1, page 131
2/ USPS Library Reference H-126, II-4
3/ USPS-T-15, Workpaper WP-B, Table A, page 21

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-10. Please refer to LR-H-10, Exhibit C and LR-H-12, Chap.Va. Please confirm that the immediate source of the personnel costs for each cost segment used in calculating the program costs and savings is LR-H-12, Chap VIIIc, page 294? If you do not confirm, please identify the source of those costs.

RESPONSE:

The average personnel cost used to calculate the cost reduction savings reflected in Library Reference H-10, Exhibit C can be found on page 294 of Library Reference H-12.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-11. Please provide the source from USPS-T-15 of the cost reduction data for the Volume Variability Adjustment and DBMC Volume Adjustment which Library Reference H-10, page 33 and its Exhibits A, B, and C ascribe to USPS-T-15.

RESPONSE:

The DBMC volume adjustment can be found in USPS-T-15, revised Exhibit 15A, page 4. The Volume Variability Adjustment can be found in USPS-T-15, Appendix A.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-12. Your testimony at page 42, Table 53, calculates an annual increment of \$446,933,000 to recover past year losses by dividing the net prior years' operating losses, less \$1,000,000,000 from Public Law No. 94-421, by a nine year amortization period. You have used the estimated FY97 net income. Do you recommend that this recovery amount should be adjusted to reflect the actual FY97 net income? If not, why not?

RESPONSE:

Substituting later information for original estimates complicates the ratemaking process. Updated information does not always provide the opportunity for a thorough review and analysis by interested parties which is provided for original estimates. Updating also results in the problem of identifying and incorporating all changes that have occurred since the original estimates were developed. Selective updating could result in a revenue requirement that is inconsistent with management's goals and objectives and infringes upon management's prerogative to determine financial policy. The Postal Service remains satisfied with its Docket R97-1 revenue requirement and believes that no adjustments are necessary. If updating is considered despite the obvious potential for problems that it presents, it must not be done selectively.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-13. Please refer to your exhibit USPS 9B.

- a. Please confirm that your exhibit USPS-9A demonstrates an overall increase in costs for the two year period from Actual FY 96 to the Test Year Before Rates of about \$5.8 billion, or slightly over 10 per cent and that volume is expected to increase according to your exhibit USPS-9C in those years by 6.7 percent.
- b. Also please confirm that over the same period of time, exhibit USPS-9A shows that cost segment 16, supplies and services, is expected to increase by 47.73 per cent and cost segment 20, depreciation, write-offs, claims, & interest are expected to increase by 24.46 per cent.
- c. Also please confirm that these two cost segments account for \$1.949 billion of the increased expenses of \$5,814,200 over that two year period.
- d. Would you please explain the reason these two cost segments show cost percentage increases so much larger than the percentage of increased volumes forecast over the same period of time?
- e. Are you concerned that the high growth of programs incurring these increased expenses in comparison to the expected growth of the mail volumes may indicate the programs are not an efficient use of resources. If not, please explain.
- f. Are you concerned that the high growth in cost segment 16 expenses may be indicative of an excessive or inefficient expenditure of funds for supplies and services that is not warranted given the much lower growth in other cost segments and in the forecast volume of mail. If not, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.

d. Supplies and services and depreciation costs are increasing due to the allocation of significant resources to operating and capital investment programs which are not driven by increases in mail volume.

e. No. Holding the increase in supplies and services and depreciation to the rate of increase in mail volume does not guarantee an efficient use of resources. Please see my answer to part d.

f. No. The Postal Service has allocated significant resources to operating and capital investment programs in Fiscal Years 1997 and 1998. As discussed at line 5, page 9 of my testimony, most of these programs are "designed to continue service improvements, improve responsiveness to customers, maintain and improve our infrastructure, and reduce costs in the future".

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-14. Please refer to Library Reference H-10, Section 2.

- a. Please provide the escalation factor developed by the program manager for the Remote Bar Coding (RBCS) Keying program.
- b. Please provide the estimated average costs of an RBCS clerk used in the savings decrease calculation for the above program.
- c. Please provide the sources for the actual contract cost for FY 1996 and the forecast of costs for FY 1997 used in determining the saving decrease for the above program.

RESPONSE:

- a. The normal contract costs were judgmentally escalated to account for extraordinary costs such as termination charges and claims associated with contract cancellation.
- b. An average cost of \$16,006 per RBCS contract clerk was used to estimate the cost of the contracts for FY 1996.
- c. The source of the actual contract cost for FY 1996 was an estimate developed by the program manager. This amount (\$78,160,000) is very close to the actual expense of \$78,705,000 reflected in account # 52343 for RBCS keying contracts which can be found on page 143 of LR H-9. The costs for FY 1997 of \$4,669,000 consist of estimates for the three remaining sites (Knoxville, Tn., Madisonville, Ky., and Harlingen, Tx.). These estimates were based on the amount budgeted in FY 96 for each of the three remaining sites, prorated for the number of accounting periods each of the sites was expected to remain open during FY 1997. As described in part a.,

these amounts were judgmentally escalated to account for costs associated with the contract cancellations.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-15. Please refer to Library Reference H-10, Section 2, p.23.

- a. Please provide the detailed calculations supporting the \$50 million cost increase in FY 1997 for the Classification Reform program.
- b. Does the cost increase result only from the increase in cardboard trays?
- c. Was a weight adjustment made to account for the decrease in weight for sacks?

RESPONSE:

- a. Please refer to the attached schedule provided to me by the Logistics program manager.
- b. The cost increase results from the change in the tare weight which includes both sacks and cardboard trays.
- c. The use of tare weights accounts for changes in both trays and sacks.

Commercial Air Transportation
Mail Weight and Cost

Description	Gross Weight Pounds	Net Weight Pounds	Tare Weight Pounds	Tare %	Air System Dollars in Millions
PQ II FY 1996	12,901.38	11,846.92	1,054.46	8.17%	
PQ II FY 1997	12,441.75	10,848.00	1,593.75	12.81%	
FY 1996					796.394
Cost Level @ 6.63%					52.801
Volume @ 5.0%					42.460
FY 1997 with cost level & volume					891.655
Pre Reclass Tare Cost					65.091
Post Reclass Tare Cost					114.218
Cost Increase					49.127
Round Up					50.000

Weights taken from TRACS air sample
(excluding Eagle & Western Network data).
FY 96 Air system costs from LR H-9, page 123.
Volume effect from LR H-12 page 386.
Cost Level from LR H-12 page 51.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-16. Please refer to Library Reference H-10, Section 2, p.23. Please provide the detailed calculations supporting the \$38.175 million cost increase in supplies and services accounts for the Augmented Sales Force program. Please indicate when the additional 500 sales people are being hired.

RESPONSE:

The Augmented Sales Force program is part of our Tactical Sales Force strategy. The \$38.175 million was estimated based on the hiring of 20 contract sales representatives in each of 25 major markets. Each sales representative was estimated to cost an average of \$70,000 per year plus an average of \$6,350 for consulting, training, and management fees.

Subsequent to the filing of the Docket R-97-1 rate case the Tactical Sales Force strategy has been revised. The status of the Augmented Sales Force program is being re-evaluated pending the outcome of a pilot being conducted in the New York Metro Area. If the pilot is successful, the program will be expanded into other markets. In addition to the pilot, the funds have been redirected to other programs such as development of a Manifest Mailing System and Customized Packaging.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-17. Please refer to Library Reference H-10, Section 2, p.25.

- a. Please indicate what amount of the \$59.830 million for FY 1998 for the Stamp Manufacturing program relates to expenses related to a rate change in FY 1998.
- b. Please indicate which of the expenses provided in response to a, above, will be one time expenses incurred only in FY 1998 for the rate change.

RESPONSE:

a.&b. Approximately \$45 million of the \$59.83 million relates to the cost of non-denominational "H" stamps and "makeup" stamps to be used immediately following the anticipated rate increase in FY 1998. The \$45 million cost of these special stamps will not recur in FY 1999.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T9-18. Please refer to Library Reference H-10, Section 2, p.28. Please indicate precisely where the Corporate Call Management and Inspector General costs information is contained in the cited reference, LR-H-12, Chap. V, Section F.

RESPONSE:

The non-personnel cost increases for these programs are detailed in Chapter Vb., page 98 of Library Reference H-12. Personnel cost increases associated with these programs are calculated as part of Headquarters and Field Service Units in Chapter Vf., page 110, Library Reference H-12.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE

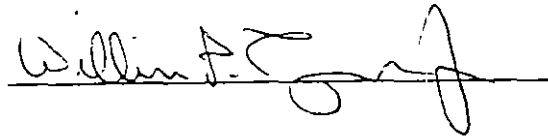
OCA/USPS-T9-19. In as much as the Inspector General's office has only recently commenced staffing, please provide the calculations for the estimate of \$10.724 million for FY 1997 costs.

RESPONSE:

As explained on page 28 of Library Reference H-12, the \$10.724 million estimate represents 38% of the estimated full year cost for the Inspector General function. The Inspector General expects to have a staff of 242 employees by the end of FY 1997. These employees are expected to be on board for an average of 38% during FY 97 which results in the use of 92 workyears. 92 workyears multiplied by the average personnel cost for Headquarters and Field Service units (\$78,684) results in personnel costs of \$7.239 million. The addition of this amount to non-personnel costs of \$3.485 million, which are detailed on page 98 of Library Reference H-12, results in a total of \$10.724 million.

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.

A handwritten signature in black ink, appearing to read "William P. Tayman", is written over a horizontal line.

Dated: 8-22-97

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.



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
August 22, 1997