

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 PATELUNAS TO
INTERROGATORIES OF DIRECT MARKETING ASSOCIATION, INC.
REDIRECTED FROM WITNESS TAYMAN
(DMA/USPS-T9-11, 13 AND 14)

The United States Postal Service hereby provides the responses of witness Patelunas to the following interrogatories of Direct Marketing Association, Inc.: DMA/USPS-T9-11, 13 and 14, filed on August 13, 1997, and redirected from witness Tayman.

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 27, 1997

Response of United States Postal Service Witness Patelunas
to Interrogatories of
DMA
(Redirected from Witness Tayman USPS-T-9)

DMA/USPS-T9-11. Please refer to Exhibit USPS-15J.

- (a) Please confirm that volume variable Clerks and Mailhandlers mail processing direct labor costs (C/S 3. 1) in Test Year 1998 are \$10.98 billion.
- (b) Please confirm that volume variable Supervisors and Technicians mail processing costs (C/S 2.1) in Test Year 1998 are \$853.7 million

DMA/USPS-T9-11 Response:

- (a) Part (a) is confirmed.
- (b) Part (b) is confirmed.

Response of United States Postal Service Witness Patelunas
to Interrogatories of
DMA
(Redirected from Witness Tayman USPS-T-9)

DMA/USPS-T9-13. Please refer to Table 10 of your direct testimony (USPS-T-9) and Exhibit USPS-9B

- (a) Please confirm that cost reduction programs reduce Clerks and Mailhandlers costs (C/S 3) in FY 1997 by \$450.6 million (2.6 %) and by \$420.8 million (2.3 %) in Test Year 1998.
- (b) Please confirm that cost reduction programs reduce Supervisor and Technician (C/S 2) costs in FY 1997 by \$513,000 (.02 %) and there are no cost reductions from such programs in Test Year 1998.

DMA/USPS-T9-13 Response:

- (a) Part (a) is confirmed.
- (b) Part (b) is confirmed.

Response of United States Postal Service Witness Patelunas
to Interrogatories of
DMA
(Redirected from Witness Tayman USPS-T-9)

DMA/USPS-T9-14. Please refer to Exhibit USPS-9B.

- (a) Please confirm that the reduction in Clerks and Mailhandlers costs (C/S 3) due to cost reduction programs in Test Year 1998 is due entirely from a reduction in employee work hours and benefits.
- (b) Please confirm that when Clerks and Mailhandlers mail processing direct labor hours decrease, Supervisors and Technicians processing costs should decrease, because fewer supervisors and technicians are needed to manage the workers.
- (c) Please explain why cost reduction programs do not decrease Supervisors and Technicians mail processing costs (C/S 2.1) by the same percentage that they reduced Clerks and Mailhandlers mail processing direct labor costs (C/S3.1).
- (d) Please confirm that reducing Supervisors and Technicians mail processing costs (C/S 2.1) for Test Year 1998 by the same percentage that cost reduction programs would reduce Clerks and Mailhandlers mail processing direct labor costs (C/S 3.1) for Test Year 1998 would amount to nearly \$70 million in savings.

DMA/USPS-T9-14 Response:

- (a) The reduction in Clerks and Mailhandlers costs (C/S 3) due to cost reduction programs in Test Year 1998 is due to a reduction in employee work hours.
- (b) Part (b) is not confirmed due to cost reduction and other programs. In the absence of cost reduction and other

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programs, this would be confirmed.

- (c) Cost reduction amounts are developed by program managers as explained in Library Reference H-12 and then applied to the rollforward model. This development is external to the CRA/Rollforward model and as such, the cost reduction amounts do not depend on the methodology employed in the CRA/Rollforward model.
- (d) Part (d) is not confirmed. Although the expertise of the program managers is relied upon to develop the cost reduction amounts rather than some ratio method, if the 2.3% ratio for Clerks and Mailhandlers in part (a) is mechanically applied to the \$3,517,945 for Total Supervisors in Test Year 1998AR, the savings is about \$80 million.

DECLARATION

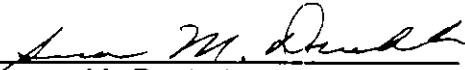
I, Richard Patelunas, declare under penalty of perjury that the foregoing answers to interrogatories are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "Richard Patelunas", is written over a horizontal line.

Dated: 8/27/97

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.



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