

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

RECEIVED
Nov 19 10 46 AM '01
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY


Postal Rate and Fee Changes, 2001)

Docket No. R2001-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO WILLIAM P. TAYMAN, JR. (OCA/USPS-T6-43-56)
November 19, 2001

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-1-21 dated September 28, 2001, are hereby incorporated by reference.

Respectfully submitted,


SHELLEY S. DREIFUSS
Acting Director
Office of the Consumer Advocate

KENNETH E. RICHARDSON
Attorney

1333 H Street, N.W.
Washington, D.C. 20268-0001
(202) 789-6830; Fax (202) 789-6819

OCA/USPS-T6-43. Please refer to your response to OCA/USPS-T6-33(a-b). Please confirm that your response is intended to say that all the markets which the Postal Service serves today are highly competitive as they include competitors who provide products or services that are "either direct or extremely attractive indirect substitutes for postal services." If you do not confirm, please explain.

OCA/USPS-T6-44. Please refer to your response to DMA/USPS-T6-21 indicating the Postal Service has not asked Congress to increase the USPS debt limit in the last five years. Also, recall that the Postal Service requested \$5 billion in a November 9, 2001 appearance before the Senate subcommittee on Treasury and General Government Appropriations to address the impact of the September 11 terrorist attacks. Note also the proximity of the current Postal Service debt to the statutory debt ceiling imposed by Congress which you say at page 8 of your testimony (prepared prior to the September 11 terrorist attacks) "will be uncomfortably close to the statutory limit in FY 2002." [\$12,913 billion or 86.1 percent of the statutory limit.] Further, "On a test year before rates basis, the Postal Service could reach the statutory limit in FY 2003." [\$16,772.6 billion or 111.8 percent of the statutory limit]. Does the Postal Service management have any plan or intent to request from Congress during FY 2002 or FY 2003 an increase in the Postal Service's \$15 billion debt ceiling:

- (a) If Congress does not provide the Postal Service any funds to address the adverse financial impact of the September 11 terrorist attacks and the subsequent use of the mail for bio-terrorism.

(b) If Congress provides the Postal Service a total of approximately \$3 billion to address the impacts of the attacks on facilities, equipment, security, and operations.

(c) If Congress provides the Postal Service a total of approximately \$5 billion consisting of \$3 billion to address the impacts of the attacks on facilities, equipment, security, and operations and \$2 billion to compensate the Postal Service for business losses due to significant reduction in volumes incurred due to the terrorist attacks.

(d) If the answer is affirmative to any of the parts (a) through (c), above, please explain when the Postal Service management would expect to request an increase in the debt ceiling and uses of the funds raised by increasing the debt ceiling.

(e) If the answer is negative to any of the parts (a) through (c), above, please explain why the Postal Service management would not plan or intend to seek an increase in the Postal Service's debt ceiling.

OCA/USPS-T6-45. Please refer to Table 6, page 8 of your testimony, listing the Postal Service's outstanding debt as a percentage of the statutory ceiling from FY 1972 to FY 2003. Please explain whether the total debt shown on Table 6 is year end, the average outstanding balance, or another measure.

OCA/USPS-T6-46. Please refer to your testimony at page 18, discussing other program costs. You state, "Reduced program expense reflects management's concern

about the Postal Service's financial condition as well as a continuing commitment to control costs. There is long term risk, however, in such an approach, as it requires deferral and cancellation of programs that would otherwise be planned to improve the quality of service, increase responsiveness to customers, and build and maintain our infrastructure."

(a) Please confirm that your phrase "[r]educed program expense" refers to the fact that your testimony as well as your Table 13, Other Programs, on page 18, shows declining Other Programs expenditures from FY 2001 through the test year.

(b) This interrogatory is to determine which of the Other Programs listed in LR-J-50, Chapter V, sections b-d, for which the Postal Service is budgeting funds, will provide an improvement in the quality of service and/or increase Postal Service responsiveness to customers. Please provide the full names of the following programs and describe the way in which postal service or responsiveness will be improved for the years shown in LR-J-50, FY 2001 through FY 2003.

- (i) Field Personnel Related Cost Reductions & Other Programs-- transfer of Sales Function from Areas to HQ (Professional Employees).
- (ii) Field Non Personnel Programs and Unallocated--HQ Activities, HQ Activities-Information Technologies, Ebusiness-Information Technology, FED-Ex Startup, Credit Cards.

- (iii) Unallocated Personnel Cost Other Programs (Chap. V, sec. d)- Breakthrough Productivity Initiatives, TNS Tulsa, Facilities DARs, PMPC In House, BPI-District Professional Staff, Retail Init.
 - (iv) Please describe the postal service benefits and responsiveness of any other cost reduction operations or other programs listed in Chapter V, sections b-d, of LR-J-50.
- (c) Please indicate any other programs that are not listed in LR-J-50, Chapter V, sections b-d, for which the Postal Service is budgeting funds to provide or will provide an improvement in the quality of service and/or increase Postal Service responsiveness to customers.

OCA/USPS-T6-47. Please refer to your testimony at page 18, discussing other program costs. You state, "Reduced program expense reflects management's concern about the Postal Service's financial condition as well as a continuing commitment to control costs. There is long term risk, however, in such an approach, as it requires deferral and cancellation of programs that would otherwise be planned to improve the quality of service, increase responsiveness to customers, and build and maintain our infrastructure." Please also refer to LR-J-49 Exhibits A-C listing Other Program Changes for FY 2001 through FY 2003, respectively.

- (a) Please indicate which of the Other Programs as listed in LR-J-49, Exhibits A-C, and for which the Postal Service is budgeting funds, provide or will provide an improvement in the quality of service and/or increase Postal Service responsiveness to customers.

(b) For those programs in part (a), above, which you indicated do provide or will provide an improvement in the quality of service and/or increase Postal Service responsiveness to customers, please explain specifically what improvement in service quality or Postal Service responsiveness will be provided and which classes of service will be affected.

OCA/USPS-T6-48. Please refer to your testimony at page 18 that discusses other program costs. You state, "Reduced program expense reflects management's concern about the Postal Service's financial condition as well as a continuing commitment to control costs. There is long term risk, however, in such an approach, as it requires deferral and cancellation of programs that would otherwise be planned to improve the quality of service, increase responsiveness to customers, and build and maintain our infrastructure." Please also refer to LR-J-49 Exhibit E listing Cost Reduction Program Changes for FY 2001 through FY 2003, respectively.

(a) Please indicate which of the Other Programs as listed in LR-J-49, Exhibit E, for which the Postal Service is budgeting funds, provide or will provide an improvement in the quality of service and/or increase Postal Service responsiveness to customers.

(b) For those programs in part (a), above, which you indicated do provide or will provide an improvement in the quality of service and/or increase Postal Service responsiveness to customers, please explain specifically what improvement in service quality or Postal Service responsiveness will be provided and which classes of service will be affected.

OCA/USPS-T6-49. Please refer to your testimony at page 18, discussing other program costs. You state, "Reduced program expense reflects management's concern about the Postal Service's financial condition as well as a continuing commitment to control costs. There is long term risk, however, in such an approach, as it requires deferral and cancellation of programs that would otherwise be planned to improve the quality of service, increase responsiveness to customers, and build and maintain our infrastructure." Please also refer to LR-J-49, Exhibit E, listing Cost Reduction Program Changes for FY 2001 through FY 2003, respectively.

(a) Please indicate any other Postal Service initiatives for which the Postal Service budgets funds that are not listed in Exhibit E and which will provide an improvement in the quality of service and/or increase Postal Service responsiveness to customers.

(b) For those programs in part (a), above, which you indicated do provide or will provide an improvement in the quality of service and/or increase Postal Service responsiveness to customers, please explain specifically what improvement in service quality or Postal Service responsiveness will be provided and which classes of service will be affected.

OCA/USPS-T6-50. Please refer to your testimony at page 18, discussing other program costs. You state, "Reduced program expense reflects management's concern about the Postal Service's financial condition as well as a continuing commitment to control costs. There is long term risk, however, in such an approach, as it requires

deferral and cancellation of programs that would otherwise be planned to improve the quality of service, increase responsiveness to customers, and build and maintain our infrastructure.”

(a) Please indicate the Postal Service initiatives that were deferred or cancelled that would have provided an improvement in the quality of service and/or increase Postal Service responsiveness to customers.

(b) Please provide any decision analysis reports or other planning documents analyzing the justification for such programs that specifically discuss the program’s potential for an improvement in quality of service or an expected increase in responsiveness to customers.

(c) For those programs in part (a), above, which you indicated would have provided for an improvement in the quality of service and/or increase Postal Service responsiveness to customers, please explain specifically what improvement in service quality or Postal Service responsiveness would have been provided and which classes of service would have been affected.

OCA/USPS-51. If the Postal Service reaches its statutory debt ceiling and requires additional funds to continue normally planned operations, under current law would it be able to continue to borrow funds from the U.S. Treasury at:

(a) The existing terms and conditions and, if so, please provide the basis for your response.

(b) Under less favorable terms and conditions and, if so, please provide the basis for your response.

OCA/USPS-52. If the Postal Service reaches its statutory debt ceiling and requires additional funds to continue normally planned operations but lacks the cash flow to continue normally planned operations; does the Postal Service have in place plans providing for controlled and organized reductions in service? If so, please summarize those plans and indicate the order in which classes and subclasses of service, including special services, would be affected.

OCA/USPS-53. Is the current FY 2002 budget designed to insure that the value of service provided to all classes and subclasses of service will be maintained to the extent they were provided for in FY 2001 (the test year in Docket R2000-1) and the year for which the rates established were expected to reflect the service provided? If not, please explain which classes and subclasses of service now receive a lesser value of service than in the FY 2001 test year and explain why the budget is not sufficient to maintain the previous value of service.

OCA/USPS-T6-54. Has the deferral and cancellation of programs that you refer to on page 18 of your testimony had an impact upon the value of the service or been detrimental to the service standards of any of the classes or subclasses of mail?

OCA/USPS-T6-55. Will the deferral and cancellation of programs reduce the value of service or cause the Postal Service to reduce its current service standards

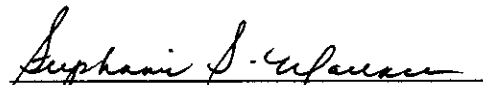
through the test year in this case (FY 2003) the year for which the rates are designed to reflect particular service standards?

OCA/USPS-T6-56. Your testimony at page 64, lines 26-28 states, "In this case the Postal Service estimated labor costs using existing contracts where they exist, and ECI (Employment Cost Index) and ECI-1 assumption for wages where contracts do not exist." To determine annual salary increases, Library reference LR-J-50, Chap. VII, sec. J (Unit Cost Development), page 368, applies the ECI only for FY 2001 and ECI-1 for FY 2002 and FY 2003.

- (a) Does the ECI shown on page 368 apply to all employees (bargaining and non-bargaining) for FY 2001? If not, please explain.
- (b) Page 368 assumes ECI-1 for FY 2002. Please state when contracts establishing the wage level increase for FY 2002 for the employee categories listed on page 368 will be finalized.
- (c) Page 368 assumes ECI-1 for FY 2003. Please state when contracts establishing the wage level increase for FY 2003 for the employee categories listed on page 368 will be finalized.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 of the rules of practice.


Stephanie S. Wallace

Washington, D.C. 20268-0001
November 19, 2001