

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

RECEIVED

Nov 21 4 41 PM '01

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAYMAN TO INTERROGATORIES
OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.
(VP/USPS-T6-11-13)

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of Val-Pak Direct Marketing Systems, Inc.:
VP/USPS-T6-11-13, filed on November 8, 2001.

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
November 21, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.

VP/USPS-T6-11 In his remarks at the open meeting of the Postal Service Board of Governors held on September 11, 2001, Postmaster General and CEO John E. Potter said, "of late, like other businesses, we have seen costs rise significantly for things such as energy and health benefits while revenue and volume have lagged projections."

(a) Please indicate the assumptions that were made with respect to the Postal Service's Request in the present case regarding the forecasts for fuel/energy prices.

(b) The prices of oil and other energy sources recently have fallen. Assuming they stay down, or even decline further over the next few months as many believe they will, would the Postal Service realize any significant cost savings if the average prevailing price of oil during the Test Year were to be (i) \$20 per barrel, and (ii) \$15 per barrel.

RESPONSE:

(a) The assumed direct and indirect impact of energy prices on Postal Service revenue and expenses is reflected in the DRI/WEFA indices used by the Postal Service. The DRI-WEFA index applicable to each cost component can be found in Chapter IV.c. of LR J-50. Please note that several of the energy related indices used show declines. For example, air transportation declines by 3.32% in FY 2002, and an additional .05% in FY 2003. Fuel/oil/coal declines by 6.82% and .01%, and gas declines by .8% and 1.32%, for Fiscal Years 02 and 03 respectively. For additional information on the application of DRI-WEFA indices to costs please see the response to OCA/USPS-T6-36.

(b) I have no way to make such a calculation. While the price of a barrel of oil may affect Postal Service revenues and expenses, there is no direct link that can be applied to determine the impact. It is also important to note that even if changes in the price of oil that occurred since the filing have reduced energy-related indices below the reductions already assumed in the filing, other changes, such as higher-than-estimated health benefits, revenue shortfalls, and the additional costs related to the anthrax attacks will have adverse impacts that far outweigh any benefit that might result from lower energy costs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.

VP/USPS-T6-12. Please refer to you response to OCA/USPS-T6-32 and MPA/USPS-T6-4.

(a) Please confirm that the Postal Service projects neither an increase nor a decrease in Total Factor Productivity ("TFP") in the Test Year 2003 from FY 2002? If you do not confirm, please explain what is assumed for TY 2003.

(b) If all of the Postal Service's key projections and assumptions for interim year FY 2002 were to be realized exactly, except that TFP showed zero improvement as opposed to the 1.1 percent that you project in FY 2002, how would this affect net revenue (loss) for FY 2002?

RESPONSE:

(a) Not confirmed. As stated in my responses to OCA/USPS-T6-32 and MPA/USPS-T6-32 (Revised), there have been no TFP calculations made beyond FY 2002.

(b) The premise of your hypothetical is invalid. If all "key assumptions and projections for FY 2002 were to be realized exactly," the resulting change in TFP would also be the same as estimated. A change in TFP would not result unless there were a change in key projections or assumptions.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.

VP/USPS-T6-13. In VP/USPS –T6(g), you were asked:

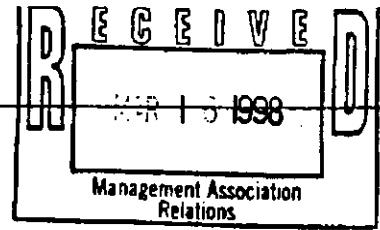
Is there a moratorium on closing post offices? Please specify the source of any such moratorium (e.g., Appropriations rider, Board of Governors' policy, etc.), and provide copies of the relevant documentation.

Your response indicated, "the moratorium on post office closings was initiated by the Postal Service on March 16, 1998, and is still in effect."

As requested in VP/USPS-T6-7, please specify the source of the decisions to implement any such moratorium (e.g., Appropriations rider, Board of Governors' policy, etc.), particularly including the moratorium of March 16, 1998 which you mentioned, and provide copies of the relevant documentation.

RESPONSE:

The moratorium on management-initiated post office closings was imposed by Postal Service Management. Please see the attached memo signed by the Postmaster General, the Deputy Postmaster General and the Chief Operating Officer.



March 16, 1998

LEADERSHIP TEAM

SUBJECT: Post Office Closings

After lengthy discussions at the Management Committee level, we have decided to place a moratorium on management-initiated post office closings effective today. Management-initiated post office closings have been misunderstood and misinterpreted by employees and the public for years. We have never had a campaign to close post offices. Rather, senior management has recognized the importance that post offices play in their communities. Indeed, it is one of the fundamental strengths of the U.S. Postal Service.

The Management Committee recognizes that from time to time we will have to suspend operations at a post office, typically because the Postmaster has retired and no one in the community is willing to take on the responsibility of a post office in his or her home or business.

We believe this move is a step toward furthering Postmaster and employee understanding for management's long-term goals and objectives.

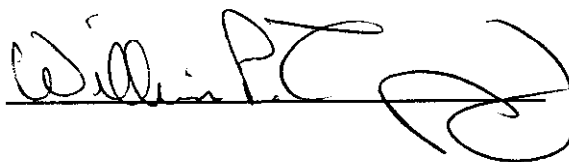
Marvin Runyon
Postmaster General, CEO

Michael S. Coughlin
Deputy Postmaster General

William J. Henderson
Chief Operating Officer &
Executive Vice President

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", written over a horizontal line. The signature is stylized and cursive.

Dated: 11-21-01

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
November 21, 2001