

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, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE REDIRECTED FROM
WITNESS VAN-TY-SMITH
(UPS/USPS-T13-1-2)

The United States Postal Service hereby provides its response to the following interrogatories of United Parcel Service, UPS/USPS-T13-1-2, filed on November 8, 2001. These interrogatories were redirected to the Postal Service from witness Van-Ty-Smith.

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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November 26, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T13-1. Refer to pages 3-4 of your testimony, where you discuss the updates and variations to the Docket No. R2000-1 procedures with respect to Special Delivery Messenger costs.

- (a) Why did the Postal Service decide to convert the "Special Delivery Messenger" craft, Cost Segment 9, to "Clerk Messenger," Cost Segment 3? Was this an operational change or only a change in the accounting treatment of this function?
- (b) Does the new treatment change the effective volume variability of accrued costs? If so, explain in detail the reason, methods, and effect of the change.
- (c) What was the effective volume variability of these costs for the most recent period before they were converted to Cost Segment 3?
- (d) Does the new treatment change the distribution of volume variable costs to classes and subclasses of mail? If so, explain in detail the reason, methods, and effect of the change.

Response:

- (a) Because of its ability to deliver an increasing amount of expedited mail by regular city and rural carriers, the Postal Service decided that a dedicated workforce, "Special Delivery Messengers", was no longer needed. Consequently, the Postal Service contracted with its unions to shift the declining workloads of expedited delivery mail pieces from "Special Delivery Messengers" to a new category of worker called "Clerk Messengers". This change is only an interim step with the long-range plan that "Clerk Messengers" will also be abolished. Staffing of these positions was predicated on the postulate that in some cases expedited mail volume at an office was sufficient to justify at minimum one full-time employee dedicated to expedited delivery. All other non-justified "Special Delivery Messenger" jobs were abolished. The name and, more importantly, craft change

allows the Postal Service to use the redefined employee as both a clerk and as a delivery messenger, as the workload warrants. While working as a clerk, the employee can sort and distribute all mail classes, including expedited products. The employee has an equal chance of being selected by IOCS as any other clerk. He or she clocks into LDC 24 only when performing delivery or street activities. Formerly, LDC 24 included both office and street activities.

The accounting change of placing the costs in CS 3.4 and deleting CS 9 only reflects the craft change. The FY 1999 Summary Description first lists expedited delivery costs as one component that corresponds only to street costs to deliver expedited mail. In 1999, the conversion to "Clerk Messenger" was completed.

- (b) Yes. Prior to FY 1999, IOCS was used to separate the in-office component CS 9.1 (FY98, \$11.533 million) from the street component CS 9.2 (FY 98, \$59.6 million). In FY 1999, CS 3.4 only reports the street portion of expedited delivery. The in-office portion is sampled along with all other clerk activities in IOCS and is reflected in CS 3.1, Mail Processing.
- (c) For FY 1998, expedited delivery in-office costs were 71.82% volume variable; street costs were 46% volume variable.
- (d) Yes, for in-office costs only, to the extent that in-office clerk time to process expedited mail is reflected in CS 3.1 and its cost development explained in USPS-LR-J-1, §3.1, a separate distribution key for just expedited delivery activities is no longer generated, but is subsumed in the overall key for 3.1. Previously for expedited delivery, separate in-office costs and distribution were derived from IOCS. IOCS defined mail-handling and non-mail-handling costs;

mail-handling costs were considered fully volume variable, while non-mail-handling costs were variable to the same degree as the composite of street delivery and in-office mail handling costs. Street costs treatment has not changed.

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UPS/USPS-T13-2. Refer to library reference USPS-LR-J-1, page 3-22, § 3.4.4, which discusses distribution of expedited delivery costs.

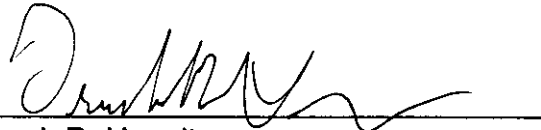
- (a) Has the Postal Service considered updating the study or studies presented in Docket No. R97-1 which established the basis for distributing these volume variable costs to classes and subclasses of mail? If not, why not?
- (b) Provide the actual data underlying the special study or studies presented in Docket No. R97-1 referenced in USPS-LR-J-1, page 3-22, § 3.4.4. Provide a specific reference to the "special study," the date the study was completed, and the time frame for the data upon which the study was based.

Response:

- (a) Yes, the street costs distribution key, as part of a broader update of all 'special purpose route' distribution keys.
- (b) See in Docket R-97, USPS-T-19, USPS LR's H-158, H-153, H-154, H-159, PRC LR-4. Also, see Docket R-97 Opinion and Recommended Decision Volume 1, page 194. What the USPS-LR-J-1 calls the "special study" is referred to as the "new survey data" by the PRC.

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.

A handwritten signature in black ink, appearing to read 'Frank R. Heselton', written over a horizontal line.

Frank R. Heselton

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