

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAYMAN TO INTERROGATORY
OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.
(VP/USPS-T6-14)

The United States Postal Service hereby provides the response of witness Tayman to the following interrogatory of Val-Pak Direct Marketing Systems, Inc.:
VP/USPS-T6-14, filed on November 13, 2001.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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November 27, 2001

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

VP/USPS-T6-14 Please refer to your response to VP/USPS-T6-3.

(a) In your response to part b. of that interrogatory, you indicated that “employees who participate in this program do not receive the twice-per-year cost-of-living pay increases that our bargaining employees receive.” Is your statement intended to imply that over time the basic pay scale for the 83,000 non-bargaining career employees has not increased in line with (i) the rate of inflation, or (ii) the basic pay scale of clerks and mailhandlers? If this is not the case, what are you attempting to convey by your statement? Please explain fully.

(b) Is your statement quoted in preceding part a intended to imply that the EVA Pay for Performance program is treated as, and should be considered as, an annual “entitlement” designed to replace a cost-of-living adjustment? If this is not the case, what are you attempting to convey by your statement? Please explain fully.

(c) You also state in part b that the “non-bargaining” career employees (over 83,000) ...do not receive any annual general increases as our bargaining employees receive or that other Federal employees receive.” Are you saying that over the last, say, five years, none of the 83,000 non-bargaining career employees have received a general pay increase? Unless your answer is an unqualified affirmative, please provide your best estimate of the average pay increase over the last five years for the 83,000 non-bargaining career employees who are eligible to participate in the EVA Pay for Performance program.

(d) You further state in part b that “over 30,000 of the covered employees forwent premium overtime pay for work in excess of 8 hours a day.”

(i) Please explain fully what you intend by this statement.

(ii) Are the “30,000 covered employees who forwent premium overtime” paid on a fixed salary or an hourly basis ?

(iii) If they are hourly employees, is the Postal Service not required by law to pay overtime for work in excess of 8 hours a day?

(e) Please confirm that 83,000 times \$1839.98 is equal to approximately \$152.7 million.

(f) Please confirm that \$200 million divided by 83,000 is approximately \$2,410.

(g) Please confirm that \$200 million divided by \$1,839.98 per employee is equal to approximately 108,700 employees.

(h) Please reconcile the computations in preceding parts e, f, and g with your responses to other parts of the above-referenced interrogatory, especially parts c and d.

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RESPONSE:

(a) No. My response did not compare the basic pay scale of non-bargaining career employees with the rate of inflation or the basic pay scale of clerks and mailhandlers. My response was intended however, to make it clear that merit pay and pay for performance (incentive pay) constitute the only types of wage changes received by non-bargaining employees.

(b) No. I'm am merely pointing out the differences between the pay system of our bargaining and non-bargaining employees. The distinction is being made because prior to implementation of the pay for performance system, the non-bargaining employees received many of the increases received by bargaining employees.

(c) Yes.

(d)

(i) I intended to explain that certain non-bargaining employees who previously received premium overtime (i.e. time and a half) for overtime hours are no longer eligible for this benefit.

(ii) These employees are full time career employees, not hourly rate employees. However, some of these employees are paid the straight time rate for hours worked in excess of 8.5 hours in a day or on non-scheduled work days.

(iii) See the response to part (ii).

(e) Confirmed. However this calculation does not cover the full amount estimated for this program.

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(f) Confirmed.

(g) Not confirmed. \$1839.98 does not include the cost of benefits. When “rolled up” for benefit costs of 3.8%, the average cost becomes \$1909.54. \$200 million divided by \$1909.54 results in 104,737 base workyears, which is the number that was used to derive the average cost before roll up. (See page 408 of LR J-50).

(h) The intention was to include the estimated value of the pay for performance (incentive pay) funding pool or \$200 million in each year’s estimated expenses. This is a conservative estimate in relation to the amounts expensed for this program in previous years, as shown in my response to VP/USPS-T6-3. The methodology used to reflect lump sum payments in personnel costs is to multiply the estimated average lump sum per base workyear times the total base workyears for the employee category that is affected. This results in the total cost (before premium and benefit roll ups) for that year. The current year’s lump sum cost must then be subtracted from the previous year’s lump sum cost, because lump sum payments are one-time events that do not increase base pay. Non-bargaining base workyears are higher than the number of non-bargaining employees, due to the higher level pay hours that some bargaining employees work when they fill in for supervisors on a temporary basis. These employees are not eligible for pay for performance (incentive pay). Using the number of employees to determine the average cost would result in an overstatement of cost when multiplied by base workyears. The controlling number for pay for performance (incentive pay) is \$200 million, regardless of whether it is divided by base workyears or the number of employees. Please refer to Chapter I page 35 of LR J-50 (Rfdescr01s.doc) for a description of lump sum payments and their treatment in calculating the effect of wage changes. Also see Chapter VII (Personnel Cost Factor Development) of LR J-50 for the calculation of personnel cost level factors for non-bargaining employees including the treatment of lump sum payments (Prff_01s.xls).

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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