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 BOZZO TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE (OCA/USPS-T14-1-8)

The United States Postal Service hereby provides the responses of witness Bozzo to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T14-1-8, filed on December 10, 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

Brian Reimer FOR
Frank R. Heselton

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–4823; Fax –5402
December 26, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T14-1.

Please refer to USPS-LR-J-56, and the Excel file: YRscrub.xls, and the spreadsheet entitled "table." Also, please refer to the testimony of witness Kingsley (USPS-T-39) at page 4, footnote 7. Please confirm that the MODS Productivity in the "TPF/Hour" column is calculated in the same manner as described in the testimony of witness Kingsley at page 4, footnote 7. If you do not confirm, please identify all differences and describe the reason for each difference. Please give a numeric example of how MODS Productivity is calculated.

Response.

Confirmed subject to the following qualification. In the citation given, witness Kingsley defines productivity as "the total pieces finalized (pieces fed minus rejects) divided by the total workhours used (including setup, sweep, jam clearance time, etc.)." In other words, witness Kingsley describes calculation of total pieces handled (TPH) per workhour. The referenced calculations in LR-J-56 are total pieces fed (TPF, i.e., TPH plus rejected pieces) per workhour. (In manual operations, the calculation is simply TPH per workhour, since manual TPF and TPH are identical in principle, and most sites do not report manual TPF. See also Docket No. R2000-1, USPS-T-15 at 50-51.) The TPF, TPH, and workhours employed in the referenced Excel file are summed from AP-level observations, where the observations in the top and bottom percentiles of TPF/hour (calculated by site and AP) have been removed from the calculation. The productivity is simply the ratio of Total TPH to Total Hours.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T14-2.

For each of the 321 mail processing facilities listed in LR-J-56, file reg9300.xls, please identify which ones are

a. P&DCs,
b. P&DFs,
c. CSUs,
d. other (please identify each other type)?

Response.

Please see the attached table. I am not sure exactly what types of facilities you mean to include in "CSUs." Of the "other" facilities, most are post offices that perform some processing and distribution work, but are not formally designated as a P&DC or P&DF. Note also that the AMC/AMF sites are excluded from the analysis.

Site ID	Category	Description (if Other)
1	P&DC	
2	P&DC	
3	P&DC	
4	P&DC	
5	P&DC	
6	P&DC	
7	P&DC	
8	P&DC	
9	P&DC	
10	P&DC	
11	P&DC	
12	P&DC	
13	P&DC	
14	P&DC	
15	P&DC	
16	P&DC	
17	Other	AMC/AMF
18	Other	AMC/AMF
19	P&DC	
20	P&DC	
21	P&DC	
22	P&DC	
23	P&DC	
24	P&DC	
25	P&DC	
26	P&DC	
27	Other	ANNEX
28	P&DF	
29	P&DF	
30	P&DF	
31	P&DF	
32	P&DF	
33	Other	PO
34	Other	PO
35	P&DC	
36	Other	PO
37	Other	PO
38	P&DC	
39	P&DC	
40	Other	PO
41	Other	PO
42	Other	PO
43	P&DF	
44	Other	See Docket No. R2000-1, Tr. 15/6390
45	P&DC	
46	P&DC	
47	P&DC	
48	P&DC	

49	P&DF	
50	P&DF	
51	Other	PO
52	P&DC	
53	P&DC	
54	Other	PO
55	P&DC	
56	Other	PO
57	Other	PO
58	P&DC	
59	P&DC	
60	P&DC	
61	P&DC	
62	P&DC	
63	P&DC	
64	P&DC	
65	P&DC	
66	P&DC	
67	P&DC	
68	P&DC	
69	P&DC	
70	P&DC	
71	P&DC	
72	P&DC	
73	P&DC	
74	P&DC	
75	P&DC	
76	P&DC	
77	P&DC	
78	P&DC	
79	P&DC	
80	P&DC	
81	P&DC	
82	P&DC	
83	P&DC	
84	P&DF	
85	P&DF	
86	P&DF	
87	Other	PO
88	P&DF	
89	Other	PO
90	P&DC	
91	P&DF	
92	P&DF	
93	P&DC	
94	Other	PO
95	P&DF	
96	P&DF	
97	P&DF	

98	P&DC	
99	P&DF	
100	P&DC	
101	Other	PO
102	P&DC	
103	P&DF	
104	P&DF	
105	P&DF	
106	P&DC	
107	P&DC	
108	P&DC	
109	Other	
110	P&DF	
111	P&DC	
112	P&DC	
113	Other	PO
114	P&DF	
115	P&DC	
116	P&DF	
117	Other	PO
118	P&DF	
119	P&DC	
120	Other	PO
121	Other	PO
122	P&DC	
123	P&DF	
124	Other	PO
125	P&DC	
126	Other	PO
127	P&DC	
128	P&DC	
129	P&DC	
130	P&DC	
131	P&DC	
132	P&DC	
133	P&DC	
134	P&DC	
135	P&DC	
136	P&DC	
137	P&DC	
138	P&DC	
139	P&DC	
140	P&DC	
141	P&DC	
142	P&DC	
143	P&DC	
144	P&DC	
145	P&DC	
146	P&DC	

147	P&DC		
148	P&DC		
149	P&DC		
150	P&DC		
151	P&DC		
152	P&DC		
153	P&DC		
154	P&DC		
155	P&DC		
156	P&DC		
157	P&DC		
158	P&DC		
159	P&DC		
160	Other		PO
161	P&DF		
162	P&DC		
163	P&DC		
164	Other		PO
165	P&DC		
166	P&DF		
167	P&DC		
168	Other		PO
169	P&DC		
170	P&DC		
171	P&DF		
172	P&DC		
173	Other		PO
174	P&DC		
175	P&DF		
176	P&DC		
177	Other	*See Docket No. R2000-1, Tr. 15/6390*	
178	P&DF		
179	P&DC		
180	P&DF		
181	P&DC		
182	P&DC		
183	P&DF		
184	P&DC		
185	P&DC		
186	P&DC		
187	P&DC		
188	Other		PO
189	P&DC		
190	P&DF		
191	Other		PO
192	P&DF		
193	P&DC		
194	P&DC		
195	P&DC		

196	N/A	Not used
197	Other	AMC/AMF
198	P&DC	
199	P&DC	
200	P&DC	
201	P&DC	
202	P&DC	
203	P&DC	
204	P&DC	
205	P&DC	
206	P&DC	
207	P&DC	
208	P&DC	
209	P&DC	
210	P&DC	
211	P&DC	
212	P&DC	
213	P&DC	
214	P&DC	
215	P&DC	
216	P&DC	
217	P&DC	
218	P&DF	
219	P&DF	
220	Other	PO
221	P&DC	
222	Other	PO
223	P&DF	
224	P&DF	
225	Other	PO
226	P&DC	
227	P&DC	
228	P&DF	
229	P&DC	
230	P&DC	
231	Other	
232	P&DF	
233	Other	PO
234	P&DC	
235	Other	PO
236	Other	PO
237	P&DC	
238	P&DC	
239	P&DF	
240	Other	PO
241	P&DC	
242	P&DC	
243	P&DF	
244	P&DF	

245	P&DF	
246	Other	PO
247	P&DF	
248	Other	PO
249	P&DF	
250	Other	PO
251	P&DF	
252	P&DF	
253	P&DF	
254	P&DC	
255	P&DC	
256	P&DF	
257	P&DF	
258	P&DC	
259	P&DC	
260	P&DC	
261	P&DF	
262	P&DF	
263	P&DF	
264	P&DF	
265	P&DF	
266	P&DF	
267	Other	PO
268	P&DC	
269	P&DC	
270	P&DC	
271	P&DC	
272	P&DC	
273	P&DC	
274	P&DC	
275	P&DC	
276	P&DC	
277	P&DC	
278	P&DC	
279	P&DC	
280	P&DC	
281	P&DC	
282	P&DC	
283	P&DC	
284	P&DC	
285	P&DC	
286	P&DC	
287	P&DC	
288	P&DF	
289	P&DC	
290	P&DC	
291	P&DC	
292	P&DC	
293	P&DC	

294	P&DC	
295	P&DC	
296	P&DC	
297	P&DC	
298	P&DC	
299	P&DC	
300	P&DC	
301	P&DF	
302	P&DF	
303	P&DF	
304	P&DC	
305	P&DF	
306	P&DF	
307	P&DC	
308	P&DC	
309	P&DC	
310	Other	PO
311	Other	PO
312	Other	PO
313	P&DF	
314	Other	PO
315	Other	PO
316	Other	PO
317	Other	PO
318	Other	PO
319	Other	PO
320	Other	DDC
321	Other	DDC

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T14-3.

Please confirm that in your analysis, labor demands are estiamted [sic] separately for each MODS cost pool and do not control for the workload in other cost pools, the amount of capital used specifically in that cost pool, the amount of capital used specifically in related cost pools, and whether the same plant performs some of the other cost pool activities. If you do not confirm, please explain and provide citations to your testimony or library reference.

Response.

Confirmed that the labor demands are estimated separately for each MODS cost pool included in my analysis.

Not confirmed that the analysis does not control for workload in other cost pools. The "manual ratio" variables included in the specifications for the manual flat and manual letter cost pools control for the manual versus automated/mechanized workload mix in the plants. While my recommended specifications for automated and mechanized letter and flat sorting operations exclude the manual ratio variables, I demonstrated that the results for those cost pools are not sensitive to the presence or absence of the manual ratio. See USPS-T-14 at 46-50.

Confirmed that the analysis does not control for the amount of capital used specifically in that cost pool.

Partly confirmed that the analysis does not control for the amount of capital used in related cost pools. To test the sensitivity of my results to the use of the facility-level capital measure, as opposed to more narrowly-defined capital measures, I estimated the labor demands for the automated letter sorting cost pools using the QIAHE index. I

demonstrate that using the QIAHE index instead of facility capital does not materially affect the volume-variability factors. See USPS-T-14 at pages 69 (lines 5-16) and 75 and LR-J-56, program varmp-tpf-by2000-ahe.tsp.

Partly confirmed that there is no control for the presence of other cost pool activities. There is no explicit control, but the use of the fixed-effects model will control for the effects of the presence or absence of other operations that are present or absent for the full sample period. See also the discussion of the manual ratio variables, above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T14-4.

Please confirm that in your analysis, the separation of mechanized flat sorting and manual flat sorting into two cost pools, 11 and 15 [sic] respectively, imposes the restriction that an increase in the plant's mechanized flat-sorting machine capital stock will have the same effect on the demand for labor in the manual counterpart as an increase of equal value in any other type of capital used in the plant. If you do not confirm, please explain and provide citations to your testimony or library reference.

Response.

Not confirmed. Please note that manual and mechanized flat sorting are separated into three cost pools: FSM 881 (numeric code 19), FSM 1000 (numeric code 20), and manual flats (numeric code 05); group 11 (total FSM) combines groups 19 and 20. (Please note also that operations for the AFSM 100 are presently excluded from the analysis due to insufficient data.) The separation of mechanized flat sorting and manual flat sorting into multiple cost pools does not impose the restriction asserted in the question. However, the restriction you describe results from the use of the facility capital index as a control variable. Combining the cost pools would result in additional restrictions – e.g., an increase in FSM capital would have the same effect on the demand for labor in both the manual and mechanized cost pools. Please see also the response to OCA/USPS-T14-3.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T14-5.

Please confirm that your analysis does not recognize that the operations in different cost pools may be substitutes or complements for each other. If you do not confirm, please explain and provide citations to your testimony or library reference.

Response.

Not confirmed. My use of TPF (or TPH) as the output measure for sorting operations (as opposed to other measures, such as FHP) recognizes that the output of an operation consists of pieces that will require additional handlings in other operations as well as pieces that received the first sort in other sorting operations. See Docket No. R2000-1, USPS-T-15 at page 50 (line 8) to 52 (line 4). I discuss the need to correctly account for the substitutability of operations in correctly interpreting the results of my analysis in USPS-T-14 at page 36 (line 24) to 39 (line 8). Please see also my response to OCA/USPS-T14-3.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T14-6.

Please confirm that the output of actual automated processing operations is a set of sorted pieces and a set of rejected pieces where the latter will need additional processing (either in automated or manual operations). If you do not confirm, please explain and provide citations to the testimony or library references of operations witnesses.

Response.

Confirmed. Please note that total pieces handled (TPH) counts the "set of sorted pieces" and that total pieces fed (TPF) counts the sorted and rejected pieces. Note also that since first handled pieces (FHP) are a subset of TPH, FHP does not measure the complete output of an operation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T14-7.

Please provide a detailed description, including relevant formulas and price deflators, used to construct the capital variables QIAHE, QIMHE, QIPSE, QIBLD, QIPDBLD, and QICAP used in the labor demand study. Please identify which categories of capital equipment from the list in file PPAM.xls supplied in LR-J-161 are used in the construction of each capital variable.

Response.

Please see Docket No. R2000-1, Tr. 15/6267-72. An Excel file, capital index.xls, providing an update to the material referenced at Docket No. R2000-1, Tr. 15/6267 will be filed as LR-J-209.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO TO
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T14-8.

Using the list of plant capital equipment in the file PPAM.xls supplied in LR-J-161, please identify which items are utilized (physically) in each of your MODS cost pools.

Response.

Please see the Postal Service's response to UPS/USPS-T39-60-65.

DECLARATION

I, A. Thomas Bozzo, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A. Thomas Bozzo.

Dated: December 26, 2001

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.

Brian Reimer FOR
Frank R. Heselton

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
December 26, 2001