

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

EXPERIMENTAL PARCEL RETURNS SERVICES

Docket No. MC2003-2

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS JENNIFER EGGLESTON TO INTERROGATORIES OF
THE AMERICAN POSTAL WORKERS UNION, AFL-CIO (APWU/USPS-T2-5-14)

The United States Postal Service hereby files the response of witness Jennifer Eggleston to the following interrogatories of the American Postal Workers Union, AFL-CIO:

APWU/USPS-T2-5-14, filed on July 3, 2003.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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APWU/USPS-T2-5. Attachment B, page 2, line 3 of your testimony shows the assumed wage rate for FY03 for retail transactions. Is that wage rate an estimate made in docket R2001-1 of likely wages for FY2003? If so, have you compared the assumed wage rate with actual current wages and benefits paid in FY2003 and what did the comparison show?

RESPONSE:

The window service wage rate used in Attachment B, page 2, is the FY03 wage rate estimated in Docket No. R2001-1. No, I have not compared the wage rate to the “actual current wages and benefits paid in FY2003.”

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APWU/USPS-T2-6. Footnote 1 on pages 2 and 3 of attachment B of your testimony cites a transaction time study used in R97-1 as the source of the estimate of minutes needed for the two retail transactions being modeled. Please detail any changes in retail equipment and processes since July 1997 that might impact the time estimates for these transactions. What adjustment did you make to account for those changes?

RESPONSE:

The data provided in pages 2 and 3 of attachment B is the most recent data available. I have not studied retail activities in great enough detail to know if there have been any changes in retail equipment and processes that have had a significant impact on transaction times of acceptance and weighing and rating a parcel.

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APWU/USPS-T2-7. In your response to OCA/USPS-T1-4, you state that with only 21 BMCs, the percentage of packages requiring inter-BMC transportation will most likely be small. Consumers do not know which local post offices are associated with each BMC, therefore, it seems likely that along the dividing lines for the 21 BMC territories some packages will be deposited at post offices not associated with the BMC identified on the package. Please identify and provide any data or studies used to determine that the percentage of packages requiring inter-BMC transportation is so small that inter-BMC transportation and processing costs do not need to be included in the cost estimates.

RESPONSE:

My response to OCA/USPS-T1-4 was a hypothesis based on reasoning and logic, not a study. BMC service areas are quite large, and it is unlikely that a person would transport parcels over BMC service “lines”. This was not meant to imply that an individual would be aware of which post offices are in a particular BMC service area. Instead, it is based off the assumption that for most people, all the nearby postal facilities will be in the same BMC service area.

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APWU/USPS-T2-8. Please confirm that the number of pieces per container assumed in the conversion factors on page 6 of Attachment C came from a study used in docket R84-1. Is this the most recent study the Postal Service has available on the number of parcels per container? Have the containers, loading methods, or loading instructions changed since that study? Have the shapes and sizes of parcels changed since 1984? Please identify any changes and any adjustments made to account for those changes in your calculations.

RESPONSE:

Not confirmed for the actual numbers. Please see errata filed on June 19, 2003.

The original conversion factor estimates are derived from the study produced for Docket No. R84-1. However, the conversion factors have been adjusted over time to account for changes in the average cubic feet per piece of Parcel Post.

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APWU/USPS-T2-9. In Attachment C, page 3, you provide arrival and dispatch profiles for parcels at various types of postal facilities. These profiles appear to be based on information presented in R97-1. Are these profiles based on current arrival and dispatch schedules? If not, what year of data was used for those calculations? Please explain how the percentages were calculated.

RESPONSE:

As shown on Attachment C, page 3, these arrival and dispatch profiles were based on a study prepared for Docket R97-1. It is my understanding that the study took place in June, 1996. The study is documented in Docket No. R97-1, LR-J-131.

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APWU/USPS-T2-10. On page 5 of your testimony you state that different mail flow models were produced for each of the three RBMC mail processing categories. Please explain the source and time period of the information used to produce each of those mail flow models.

RESPONSE:

The mail processing models were developed by making adjustments to the Parcel Post mail flow models. The adjustments were made in conjunction with witness Gullo, in order to match the product definition. These models were adjusted over time to account for changes in the product definition or when new data was available. The majority of these changes came through either witness Gullo or through co-functional workgroup meetings. For example, at one meeting it was decided that USPS would be responsible for loading RBMC parcels, but not RDU parcels. So the model was adjusted to account for this decision. I believe the development began around July 2002, and revisions to the model continued up until the filing of the case.

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APWU/USPS-T2-11. In your response to APWU/USPS-T2-2 you state that you are not aware of any major differences between the test year Parcel Post mail processing assumptions used in docket R2001-1, LR-J-64 and the current mail processing environment. Many of the productivities used in LR-J-64 from R2001-1 seem to come from docket R97-1, FY93 PIRS and the average of 1995-2000 PIRS data. Is it your opinion that these productivities accurately reflect the processing environment today, or have other adjustments been made to account for changes between those time periods and 2003?

RESPONSE:

I do not know of any changes that would significantly impact the productivities since the filing of R2001-1, LR-J-64. It should be noted that the model does include the cost impact of implementing the Singulate, Scan, and Induction Units (SSIUs) on the secondary parcel sorting machines. It is my opinion that the productivities are a reasonable estimate of the current mail processing environment. It should further be noted that it is my opinion that these are the productivities that should be used in this case, that these productivities are consistent with the data used to develop the Parcel Post rates.

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APWU/USPS-T2-12. The package service mail processing costs per piece for FY2002 as estimated in R2001-1 (cost segment 3.1) appear to be noticeable higher than the actual package service mail processing costs per piece from the Postal Service version of the 2002 CRA (even after making an adjustment for the difference in attributable cost coverage between the two sets of costs). YTD 2003 mail processing compensation costs per piece appear to have declined quicker than anticipated in R2001-1. Have you analyzed these trends in actual mail processing costs? If so, have you attempted to reconcile those changes with the estimates of costs avoided presented in this proceeding?

RESPONSE:

I do not understand what you mean by “YTD 2003 mail processing compensation costs per piece”. However, if you are simply referring to Parcel Post mail processing costs, there are at least two reasons why Parcel Post mail processing costs, as a subclass, were lower in the FY2002 CRA than previous years.

First, it is my understanding that Parcel Post Destination Delivery Unit (DDU) volume has continued to grow at a fast rate. Since the CRA only shows costs for the Parcel Post subclass, and not by rate category, the average unit cost shown in the CRA will decline as Parcel Post DDU volume grows in proportion to total Parcel Post volume.

Secondly, it is my understanding that there was a major methodological change between how attributable costs were calculated in the 2002 CRA and how they were calculated in Docket No. R2001-1. It is my understanding that the 2002 CRA was developed using a new methodology of volume variability. It is further my understanding that one of the by-products of using this new volume variability method is that total Parcel Post attributable costs will be lower than they would be using the old USPS-version of volume variability.

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Since the purpose of my cost model is to provide witness Kiefer with cost data consistent with the data provided in Docket R2001-1, there was no need to compare the mail processing costs provided in Docket R2001-1 to the FY2002 CRA.

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APWU/USPS-T2-13. In your response to APWU/USPS-T3-2 you state "it is my understanding that APPS, like its predecessor, will be used primarily to sort bundles and 'non-Package Services' parcels." In a September 24, 2002 press release by Lockheed Martin Distribution Technologies, Tom Day, the U.S. Postal Service's vice president of Engineering is quoted as saying "The Automated Package Processing System is an essential element in our strategic plans to enhance customer service in the highly competitive package delivery market." Does the package delivery market referred to by Mr. Day include any of what the Postal Service generally refers to as Package Services or does it primarily refer to non-Package Service parcels and bundles?

RESPONSE:

I do not know what Mr. Day was specifically referring to in his press release on September 24, 2002. It's possible he was referring to Priority Mail parcels. However, it is my understanding that the current plan for the APPS is that it primarily will be used to sort non-Package Services parcels and bundles.

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APWU/USPS-T2-14. In your response to APWU/USPS-T3-2 you state "the predominant impact of the APPS implementation on Package Services parcels will be the APPS machines deployed to Auxiliary Service Facilities (ASFs). Since ASFs sometimes perform the function of a BMC, the APPS may potentially be used in these facilities to sort Package Services parcels." Is it your understanding that APPS machines deployed to BMCs will not be used to sort any Package Services parcels? Is it your understanding that APPS machines deployed to PD&Cs will not be used to sort any Package Services parcels? Is it your understanding that APPS machines deployed to BMCs and PD&Cs will not be used to sort the returned parcels?"

RESPONSE:

It is my understanding that the current plan is that APPS machines deployed to both BMCS and P&DCs will primarily be used to sort non-Package Services parcels and bundles. Therefore, it is also my understanding that Package Services returns will rarely be sorted on the APPS machines deployed to BMCs and P&DCs.

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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