

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRADLEY
TO INTERROGATORY OF DIRECT MARKETING ASSOCIATION, INC.
(DMA/USPS-T14-33)

The United States Postal Service hereby provides the response of witness Bradley to the following interrogatory of Direct Marketing Association, Inc.:
DMA/USPS-T14-33, filed on August 29, 1997. Interrogatory DMA/USPS-T14-34 was redirected to the Postal Service.

The 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


Susan M. Duchek

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September 12, 1997

Response of United States Postal Service Witness Bradley
to
Interrogatories of DMA

DMA/USPS-T14-33. Please refer to your response to DMA/USPS-T14-2.

- a. Please confirm that casual or part time workers may be called to work when there is an *unexpected increase in volume so that workhours for a given period accurately reflect the TPH for that period and there would be no reason to consider the volume from a previous period.* If not confirmed, please explain fully.
- b. If current staffing is partially based on volume from the prior accounting period and TPH in the *current period are fewer than the previous period so that some workers are idle,* would the increase in workhours accurately reflect the volume of TPH from the current period. Please explain fully.
- c. Assume that TPH in the current period are fewer than in the previous period. Please explain how long it would take to readjust the number of workers during the current period to reflect the decreased number of actual piece handlings in the current time period. Please explain fully.

DMA/USPS-T14-33 Response:

- a. Not confirmed. It is my understanding that, on average, part time and casual workers are already working close to a full work week. Please see the response to DMA-T4-26 for a discussion of the average work week for part time and casual workers. Also, please recall that the period of analysis in the econometric equation is an accounting period. As I say in my response to DMA/USPS-T14-2:

If the adjustment in the work force to changes in piece handlings takes time, the hours in one accounting period may be influenced by the piece handlings in the previous period.

The econometric equations thus measure the response in hours to a sustained increase in volume. I included lag terms in the econometric equations to test the hypothesis that hours would adjust, in part, with a lag to sustained increases in

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volume. The econometric results support a small but, in many cases, statistically significant lagged response.

- b. As written, the question contains a *non sequiter*. If volume is declining, as in the premise of the question, what is the source of the increase in hours posed in the end of the question? Secondly, I do not accept the premise that workers are idle. To understand how the lagged adjustment mechanism works, consider the econometric equation for the LSM activity. The coefficient on the contemporaneous piece handling term is 0.8687 and the coefficient on the lagged piece handling term is 0.0360. This means that a sustained 5% decline in piece handlings will lead to a 4.34% decline in hours in the contemporaneous period and 0.18% (less than a quarter of a percent) decline in the subsequent period.
- c. As explained in my response to part b. above, examination of the coefficients on the contemporaneous and lagged terms shows how much of the adjustment takes place in current period and how much takes place in the subsequent period. In the case of the LSM equation, most of the adjustment takes place in the current period. In the case of the FSM equation, more (relative to the LSM equation) of the adjustment takes place in the subsequent period. (The contemporaneous and lagged coefficients are 0.7807 and 0.1376)

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DMA/USPS-T14-34. Please refer to you response to DMA/USPS-T14-6

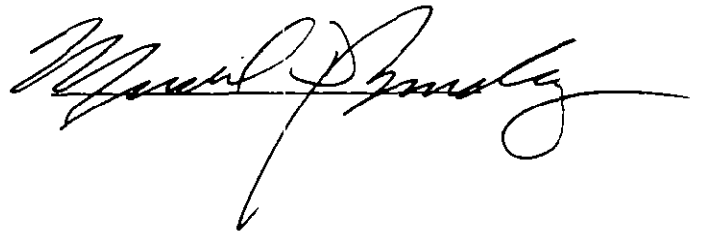
- a. Please describe any source (either within or outside of the Postal Service) that describes the PIRS system.
- b. If your response to sub-part a. indicates that no such documentation is available, please provide a narrative description of the PIRS system (including, but not limited to, the role and training of the data collector, the types of mail processing and distribution activities that are recorded, the method in which activities are recorded, the types of coding or tallies that are used to reflect activities, the frequency of recording activities, and the processes used to ensure the reliability of the data.)

DMA/USPS-T14-34 Response:

This interrogatory has been redirected.

DECLARATION

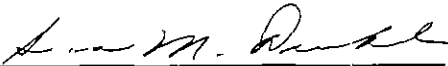
I, Michael D. Bradley, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "Michael D. Bradley". The signature is written in black ink and is positioned to the right of the declaration text.

Dated: Sept. 12, 1997

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.



Susan M. Duchek

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