

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

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POSTAL RATE AND FEE CHANGES, 1997  
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Docket No. R97-1

**THE DIRECT MARKETING ASSOCIATION, INC.'S SIXTH SET OF  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS  
DIRECTED TO USPS WITNESS BRADLEY (DMA/USPS-T14-35-45)**

Pursuant to Sections 25 and 26 of the Commission's Rules of Practice, the Direct Marketing Association, Inc. hereby submits the attached sixth set of interrogatories and requests for production of documents to USPS witness Bradley (DMA/USPS-T14-35-45). If the designated witness is unable to respond to this interrogatory, we request a response by some other qualified witness.

Respectfully submitted,



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September 12, 1997

**Witness Bradley (USPS-T-14)**

DMA/USPS-T14-35. Please refer to Library Reference H-148 and to your responses to interrogatories DMA/USPS-T14-16-18.

- (a) Please explain whether allied operation productivity can be calculated from the data set VVMPN.DATA.
- (b) If so, please explain the process, in a manner similar to the processes shown in interrogatories DMA/USPS-T14-16-18, by which one could calculate the annual productivity for each allied operation in the data set VVMPN.DATA. If one general method can be applied to the calculation of productivity for all allied operations, simply provide this general method.

DMA/USPS-T14-36. Please refer to Table 1 on page 9 of your testimony. Please confirm that the elasticities shown in that table are cost elasticities, and that a cost elasticity is the percentage change in cost associated with a percentage change in volume or workload.

DMA/USPS-T14-37. Please refer to Table 1 on page 9 of your testimony.

- (a) Please confirm that the table shows that the cost elasticities you estimate range from a high of 100 percent for remote encoding to a low of 15 percent for registry.
- (b) Can you explain the wide variation in the elasticities as a function of the activities that are performed in each of them? Is so, please do so.

DMA/USPS-T14-38. Please refer to Table 1 on page 9 of your testimony.

- (a) Please confirm that the table shows a cost elasticity of 80 percent for manual letters, of 87 percent for manual flats, and of 40 percent for manual parcels.
- (b) Please explain how the variation in the elasticities for these operations reflects the work elements that are performed in each of them.

DMA/USPS-T14-39. Please assume that there are two different operations within a multi-activity firm (each with a production function where labor is the only variable input), that initially their cost elasticities are identical, and that there is no excess labor in the firm. Please further assume that at some later time, excess labor arises in the firm and is assigned to one of the operations but not to the other. Both operations then experience a small increase in volume. Please confirm that at the operation without excess capacity, processing the increased volume would require a percentage increase in staffing approximately equal to the product of the cost elasticity and the percentage increase in volume. Please also confirm that at the operation with excess capacity, processing the increased volume would require a

percentage increase in staffing less than the product of the initial cost elasticity and the percentage increase in volume.

DMA/USPS-T14-40. Please assume that one activity within a growing multi-activity firm has always been staffed with the excess labor of the firm. Further assume that the amount of work to be performed at this activity is increasing and the amount of excess labor is growing at a slower rate than the activity to which it is assigned. If one collected time series data on staffing and work load in the over-staffed activity, and then estimated a cost elasticity for it using these data, how would the estimated elasticity for the over-staffed activity compare to the elasticity one would have estimated had the activity been efficiently staffed? How would your answer differ if the amount of excess labor were growing at a faster rate than the activity to which it is assigned?

DMA/USPS-T14-41. Please refer to your responses to DMA/USPS-T14-20(a) and DMA/USPS-T14-21(a)-(d), where you propose a broadly inclusive definition of the term "sort."

- (a) Is your use of the term "sortation" in your response to DMA/USPS-T14-19 consistent with this definition? That is, when you say that "a piece handling is defined by the sortation of [a single piece of] the relevant shape of mail by the relevant technology," may one infer that a single piece handling consists of ancillary activities such as bringing mail to a sorting machine or device, setting up a sort scheme, and sweeping bins, as well as running the mail through the machine or device? If not, please explain fully.
- (b) Regardless of your answer to subpart (a), if separate work hours and work load data were gathered on each component activity of sortation listed therein, and separate variabilities estimated for each using your methodology, would you expect the estimated volume variabilities for these components to vary significantly? For example, since a sort scheme must be set up any time an OCR is used to sort mail, regardless of the number of pieces to be sorted, would you expect it to have a lower cost elasticity than running the mail through the OCR?

DMA/USPS-T14-42. Please refer to your response to DMA/USPS-T14-26.

- (a) Please explain and quantify whether, and the extent to which, MODS data was misreported. Has the Postal Service conducted any statistical studies (either full or pilot) of the accuracy and reliability of MODS data? If so, please identify, describe and produce such study or studies. If not, are any such studies planned for this purpose?
- (b) Please explain how you identified the "data problems" with parcel and priority activities: specify what indicator(s) you relied on to determine that problems

existed in these data, and quantify them relative to the “data problems” in other activities. Please also specify whether the parcels with “data problems” include Standard (A) parcels.

- (c) Please explain fully the reasons that the Postal Service chose MODS to calculate volume variable costs for mail processing. When was MODS chosen as the appropriate data system? If the decision to rely on MODS for this purpose was a process that occurred over a period of time, when was it first considered, and when was the final decision made?
- (d) Were any other alternative data systems considered by the Postal Service? If so, please describe all alternative data systems the Postal Service considered, and the reasons that these alternative systems were not chosen.
- (e) In assessing the pros and cons of the alternative data systems considered in subpart (d), if any, did the Postal Service perform any cost variability analyses using the data derived from alternative systems? If so, please provide the results of these studies.
- (f) Please describe all characteristics and information that the Postal Service considered essential when deciding on a data set to calculate the volume variability of mail processing labor costs (including, but not limited to, the inclusion of observations on mail volume and work hours).

DMA/USPS-T14-43. Please refer to your response to DMA/USPS-T14-32 and explain precisely which data requested therein do not exist.

- (a) Please describe how the data relating to volumes (piece handlings) in each MODS operation are recorded by the offices that submit volume data to the “corporate data base.”
  - i. At what frequency are the data initially recorded by the office?
  - ii. Are they aggregated or otherwise transformed by the office? If so, once such aggregations or transformations are performed, are the initial data primitives retained?
  - iii. At what frequency are piece handlings data transmitted to the corporate data base?
  - iv. Are they aggregated or otherwise transformed once in the corporate data base? If so, once such aggregations or transformations are performed, are the initial data received from the reporting offices retained?

- v. In the corporate data base, do piece handlings data by office and MODS operation exist (a.) by AP, (b.) by week, (c.) by day of the week, and/or (d.) by hour of the day? For each affirmative answer, specify the years for which these data are available at this level of specificity, and produce these data for the most recent fiscal year, and at least the two previous years if possible. For each negative answer, indicate the reason(s) why these data do not exist (e.g., were the data not collected, were the data collected but not retained, or some other reason?) Please explain fully.
- (b) Please describe how the data relating to work hours in each MODS operation are recorded by the offices that submit hours data to the "corporate data base."
- i. At what frequency are the data initially recorded by the office?
  - ii. Are they aggregated or otherwise transformed by the office? If so, once such aggregations or transformations are performed, are the initial data primitives retained?
  - iii. At what frequency are work hours data transmitted to the corporate data base?
  - iv. Are they aggregated or otherwise transformed once in the corporate data base? If so, once such aggregations or transformations are performed, are the initial data received from the reporting offices retained?
  - v. In the corporate data base, do work hours data by office and MODS operation exist by (a.) AP, (b.) by week, (c.) by day of the week, and/or (d.) hour of the day? For each affirmative answer, specify the years for which these data are available at this level of specificity, and produce these data for the most recent fiscal year, and at least the two previous years if possible. For each negative answer, indicate the reason(s) why these data do not exist (e.g., were the data not collected, were they collected but not retained, or some other reason?) Please explain fully.
- (c) When an employee "clocks into" or "clocks out of" a mail processing operation, how is the employee's time recorded in the MODS system? For example, is the actual time of day recorded or is the time interval worked recorded? Is this information retained in the data system at the facility level? If so, is the data retained once the data are transmitted to the corporate data base?

DMA/USPS-T14-44. Please assume that, in addition to the problem of adjusting staffing levels at a mail processing facility to labor requirements within a given mail processing

operation, there is also an *overall* constraint operating in mail processing, such that Postal management faces short-term rigidities in its ability to match the overall number of clerks and mail handlers it employs at a facility to the total mail processing labor requirements across all MODS operations at that facility. How would your methodology for estimating volume variabilities of mail processing labor costs change, if at all?

DMA/USPS-T14-45. Please refer to your response to DMA/USPS-T14-16 and confirm that applying the process described in interrogatory DMA/USPS-T14-16(a) to VVMPO.DATA yields a FY 1993 productivity for optical character readers of 5.03 and that this productivity is in thousands of total piece handlings per work hour.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 (section 3001.12) of the Postal Rate Commission's Rules of Practice and Procedure and Rule 3 of the Commission's Special Rules of Practice in this proceeding.

  
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Michael D. Bergman

September 12, 1997