

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MODEN TO INTERROGATORIES OF
TIME WARNER, INC.
(TW/USPS-T4-29-31)

The United States Postal Service hereby provides responses of witness Moden to the following interrogatories of Time Warner, Inc.: TW/USPS-T4-29-31, filed on September 16, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 30, 1997

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TW/USPS-T4-29 Please refer to your response to TW/USPS-T4-9. Part b asked 'to what extent instructions regarding clocking in and out are followed in practice,' and you responded: "They are widely followed." Part i asked, "is assuring that employees are clocked into the correct MODS operation numbers high on the list of priorities for facility managers and supervisors?" Your response was 'Yes.'

Please refer also to the Postal Inspection Service final report 'National Coordination Audit: Allied Workhours' (December 1996) (Case No. 034-1181680-PA(I)), which reports the results of a national audit of allied workhours in 25 Processing and Distribution Centers (P&DCs) between February and April 1996. (The report is found in LR-H-236.) At pages 2 and 18-19 the Inspection Service states:

The lack of supervisory control and review of employee clockings resulted in improperly charged workhours to LDC 17. Our review disclosed Management Operating Data System (MODS) workhours reported for opening unit operations were in error approximately 31 percent of the time.... [p. 2.]

Of the 2,412 employees checked for clocking accuracy, 744, or 31 percent were clocked into MODS operations other than the ones they were working. The 31 percent error rate had significant impact upon the amount of LDC 17 workhours reported.... The inaccuracy of the MODS workhour data for the opening units was caused by supervisors not ensuring that employees were properly clocked in. Employees who were found to be clocked into an incorrect operation were generally unconcerned with the accuracy of their clockings. Some supervisors were surprised to find the large number of employees clocked incorrectly, and admitted they do little if any monitoring of employee clockings. [pp. 18-19.]

a. Please confirm that the conditions described by the Inspection Service, as of the time it conducted its audit, are different from your description of current conditions in your responses to TW/USPS-T4-9, parts b & i.

b-. Do you accept the findings and conclusions of the Inspection Service with respect to conditions at the time of its audit? If not, please state your reasons and describe all evidence which you believe discredits the Inspection Service's findings and conclusions.

c-. Were you aware of the contents of the Inspection Service report at the time of your response to TW/USPS-T4-9? If so, why did you not mention the report in your response? If your answer is that the conditions described by the Inspection Service as of February-April 1996 no longer exist, please indicate the reasons and the evidence that caused you to reach that conclusion.

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Response:

a. I can confirm that the specific conditions quoted from the report which are based upon an audit of 25 facilities are different than my description based upon my observation, knowledge and experience. For further discussion of the Allied Labor Audit, see witness Degen's response to TW/USPS-T12-35.

b. I agree with Postal management's responses as contained in the audit report which concurred with the recommendations of the audit. I accept that the Inspection Service audit findings and conclusions are descriptive of the conditions found by the audit team during their audit of 25 postal facilities using the methodologies employed by the audit teams. However, as indicated in my response to OCA/USPS-T4-9b I believe that the sites chosen by the Inspection Service were not selected randomly, but rather were chosen because of they were likely to exhibit the conditions found in the report. Also, I am not able to confirm that the specific calculations used by the Inspection Service are correctly applied, and note that the 31% error rate cited in the audit greatly exceeds anything I would expect based on my personal experience. For further discussion of the Allied Labor Audit, see witness Degen's response to TW/USPS-T12-35.

c. Yes, I was aware of the Inspection Service report at the time of my response to TW/USPS-T4-9. I did not mention the report since the questions directed to me asked for a response "...based upon my observation, experience and (personal)

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knowledge...". For further discussion of the Allied Labor Audit, see witness Degen's response to TW/USPS-T12-35.

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TW/USPS-T4-30 Please refer to your response to TW/USPS-T4-7d and 5d. In 7d you were asked whether 'manual sorting operations are often over-staffed relative to the volume that is available for manual processing?' Your response was, 'No. See answer to c above' (which stated in relevant part: "We staff to workload. Work rules provide sufficient flexibility to match the workforce to the work load in manual cases"). In 5d, you were asked '[i]f in your opinion extra costs are being incurred because flats that could be sorted by FSM are instead sorted manually?' You responded in part: '[L]ocal management has incentives to make use of the most efficient processing alternatives available. FSM processing is more efficient than manual distribution. Therefore, I do not believe that extra costs are being unnecessarily incurred.'

Please refer also to the Postal Inspection Service final report 'National Coordination Audit: Allied Workhours' (December 1996) (Case No. 034-1181680-PA(I)), which reports the results of a national audit of allied worktours in 25 Processing and Distribution Centers (P&DCs) between February and April 1996. (The report is found in LR-H-236.) At pages 10, and 18-19 the Inspection Service states:

At the P&DCS, LDC 17 supervisors generally expressed that their focus was to keep the employees in budgeted positions 'busy', and minimize overtime hours. Several plants had employees who were performing direct distribution functions, but were clocked into LDC 17 operations. This allowed the productivities of direct distribution operations, with specific benchmarks and perceived higher priorities, to be artificially higher. . . .[p. 10.]

- a. Do you accept the findings and conclusions of the Inspection Service with respect to conditions at the time of its 1996 audit? If not, please state your reasons and describe all evidence which you believe discredits the Inspection Service's findings and conclusions.
- b. If your answer to part a is yes, please describe the changes in conditions since 1996 that have (1) eliminated management incentives to "keep the employees in budgeted positions 'busy', and minimize overtime hours" and to artificially inflate the productivities of direct distribution operations, with specific benchmarks and perceived higher productivities" and (2) created management incentives to 'make use of the most efficient processing alternatives available.'

Response:

- a. I agree with Postal management's responses as contained in the audit report which concurred with the recommendations of the audit. I accept that the Inspection Service

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audit findings and conclusions are descriptive of the conditions found by the audit team during their audit of 25 postal facilities using the methodologies employed by the audit teams. In the specific findings quoted in this question, I can accept that the audit is descriptive of the conditions "generally expressed" by the LDC 17 supervisors interviewed as well those found in "several plants" among the twenty-five plants visited. LDC 17 supervisors are supposed to keep their group productively employed and it is appropriate for personnel serving several distribution operations (e.g. preparing mail for them) to be charged to LDC 17. Furthermore, as noted in my response to OCA/USPS-T4-9b, I believe that the sites chosen by the Inspection Service were not selected randomly, but rather were chosen because they were likely to exhibit the conditions found in the report. For further discussion of the Allied Labor Audit, see witness Degen's response to TW/USPS-T12-35

b. The paragraph on page 10 of the subject audit report from which this quote was taken begins with recognition that facility and Area management closely monitor operational budget performance. In my response to TW/USPS-T4-5d I referred to ". . . local management incentives to make use of the most efficient processing alternatives available." Those incentives are tied directly to budget performance. In that context, I would expect supervisors to maximize the use of their budgeted positions and to optimize the mix of resources available to them including the judicious use of overtime hours. I believe that these incentives existed before 1996 and continue to exist. Therefore, I am not able to respond to subparts (1) and (2) of this question.

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Additionally, as noted in my response to OCA/USPS-T4-9b I believe that the sites chosen by the Inspection Service were not selected randomly, but rather were chosen because they were likely to exhibit the conditions found in the report. For further discussion of the Allied Labor Audit, see witness Degen's response to TW/USPS-T12-35.

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TW/USPS-T4-31 Please refer to your responses to TW/USPS-T4-7c-g, DMA/USPST14-1 and T14-23 (redirected from witness Bradley), and NAA/USPS-T4-13, where you generally indicate that management has a high degree of flexibility in matching employee complements to available mail processing workloads.

Please refer also to the Postal Inspection Service's "Audit Report: MLOCR/Automation" (December 1989) (Case No. 020-1027622-AO(I)) (filed as LR-F240 in Docket No. R90-1). At pp. 15, 96-97 and 174, the report states as follows

A comparison was made between actual employee complement changes and estimated changes in complement which considered increases/decreases in FHP, TPH, overtime, and automated AO mail volumes. This was performed in order to determine if the actual employee complement change at each audit site had a relationship to that site's changes in mail processing operations and volumes. Our analysis disclosed that the 22 audited sites have a net reduction of 96 employees which is 462 less than the potential reduction we computed.

[P. 15.]

For 17 audit sites, we also evaluated how productivity rates in LDCs 1, 12, and 13 for letter operations and LDC 14 workhours changed from peak to low volume days (Mon-Fri) during AP 05 FY 89. Our analysis disclosed that letter distribution (TPH)' pieces per hour dropped as the volume of mail to be work[ed] declined at all 17 sites.... We compared the top 10 volume days to the low 10 volume days and documented a drop in productivity of 160 pieces per hour.... [P. 17.]

The Postal Service cannot expect an AO Postmaster to reduce his mail processing complement if he receives limited volumes of automated mail and does not receive a consistent volume of mail on a continuous daily basis. [P. 18.] ...

Please refer also to the Postal Inspection Service final report 'National Coordination Audit: Allied Workhours' (December 1996), which reports the results of a national audit of allied workhours in 25 Processing and Distribution Centers (P&DCs) between February and April 1996. (The report is found in LR-H-236.) At pages 1-2 and 15, the Inspection Service states:

Allied workhours in P&DCs were loosely managed and inadequately controlled. ... Our review of opening unit operations (110-117 and 180-189) at the 25 P&DCs disclosed management inefficiencies regarding these workhours representing 36 percent of total LDC 17 [i.e., allied] workhours. We

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determined that the Postal Service could have realized a 12.8 percent reduction in actual workhours expended. In Fiscal Year (FY) 1996, unrecovered opening unit cost reductions could have amounted to nearly \$141 million, if higher locally demonstrated productivities were achieved. [Pp. 1-2.]

The audit disclosed that opening unit and metered mail ... workhours used to prepare mail for processing should be charged to direct distribution operations, i.e., automation, mechanization, and manual operations. Interviews with plant management indicated a strong desire to include these support workhours with their direct distribution counterparts provided that operational productivity benchmarks were re-calculated.... By including support (workhours currently charged to LDC 17 operations) with direct distribution workhours, managers can compare their actual performance to the recalculated operational benchmarks for automation, mechanization, and manual distribution operations. These changes would allow the P&DCs to effectively manage up to 37.7 percent of total LDC 17 workhours. [P. 15.]

- a. Do you accept the findings and conclusions of these reports? If not, please state your reasons and describe all evidence which you believe discredits their findings and conclusions.
- b. Are manual mail processing operations at the present time consistently achieving productivities closer to their highest "locally demonstrated productivities" than were found in the two Inspection Service audits. If yes, please provide full documentation. If no, please explain how the continuing failure to achieve demonstrably attainable productivities in manual processing is consistent with the view that employee complement is being successfully managed to fit actual workloads and avoid overstaffing.

Response:

a. I agree with Postal management's responses as contained in the audit reports which concurred with the recommendations of the audits. I accept the findings and conclusions of the reports as descriptive of the conditions found by the audit teams at the audited sites during the period of the audits, but offer the following considerations. The 1989 audit of USPS MLOC/Automation was conducted in the early days of automation. The operational changes and associated complexities added by that change had significant impacts on the management of the workroom floor. Those

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complexities may have led, for example, to the inconsistent delivery of automated volumes to associate offices. Also, regarding the specific reference to reduced positions (actual vs. estimated), it's noted that the performance of just three of the 22 audited facilities, which actually added a total of 637 positions, had a significant impact on the total results achieved. In that respect, that audit may be subject to the same limitations as the Allied Labor Audit discussed in the TW/USPS-T4-29 and 30. For further discussion of the Allied Labor Audit, see witness Degen's response to TW/USPS-T12-35.

b. I am not aware of any analysis which would either confirm or not confirm whether or not manual mail processing operations at the present time consistently achieve productivities closer to their "locally demonstrated productivities". I also do not know whether it is reasonable to assume that "demonstrably attainable" productivities based upon one week's worth of data in the case of the Allied Labor Audit, or one AP's worth of data (over eight years old), in the case of the MLOCR/Automation Audit are relevant indicators of potentially sustainable productivity levels.

DECLARATION

I, Ralph J. Moden, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information and belief.

Ralph J Moden

Dated: 9/30/97

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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", is written over a horizontal line.

Scott L. Reiter

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