

DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS DEGEN TO INTERROGATORIES OF  
THE DIRECT MARKETING ASSOCIATION, INC.  
AND TIME WARNER  
(DMA/USPS-T12-10-11, TW/USPS-T12-35)

The United States Postal Service hereby provides responses of witness Degen to the following interrogatories of the Direct Marketing Association, Inc. and Time Warner: DMA/USPS-T12-10-11 and TW/USPS-T12-35, 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:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
\_\_\_\_\_  
Eric P. Koetting

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September 30, 1997

**Response of United States Postal Service Witness Degen  
to Interrogatories of Direct Marketing Association, Inc.**

**DMA/USPS-T12-10. Please refer to your response to DMA/USPS-T12-3(b) where you state "I believe that the MODS activity at the operation group level and the employee's activity are consistent in the vast majority of cases."**

- a. Please confirm that you have performed no quantitative analysis to support your belief that the MODS activity at the operation group level and the employee's activity are consistent in the vast majority of cases.**
- b. If subpart a is not confirmed, please summarize the results of your analysis and provide a copy.**

**DMA/USPS-T12-10 Response.**

- a. Confirmed. I have not personally performed any quantitative analysis of the consistency between MODS activity and employee activity. However, I find the results of Witness Bradley's models very compelling evidence that the hours and workload measures at the cost pool level are very consistent.**
- b. Not applicable.**

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**DMA/USPS-T12-11. Please refer to your response to NAA/USPS-T12-2, Attachment 1, Page 2. Footnote 2, which is placed next to the Cost Pool Non-MODS states, "Includes break/personal needs (activity code 6521) tallies."**

- a. Since this footnote is only placed next to the Non-MODS cost pool, does this imply that the other cost pools do not include breaks/personal needs tallies?**
- b. Please confirm that all cost pools include some costs for break/personal needs. If not confirmed, please explain fully.**
- c. Please confirm that the "Not Handling" mail tally figures detailed in Attachment 1 include all costs within IOCS activity code 6523.**

**DMA/USPS-T12-11 Response.**

- a. Yes.**
- b. The BMC cost pools other than "Z Breaks" contain no breaks/personal needs tallies. See program BMC1, lines 71-90, LR-H-146. Breaks/personal needs costs are subsequently distributed to the BMC mail processing cost pools in the section of program BMC1 beginning at line 111.**
- c. Not confirmed. Please see my response to TW/USPS-T12-9, part e for an explanation.**

**Response of United States Postal Service Witness Degen  
to Interrogatories of Time Warner, Inc.**

**TW/USPS-T12-35. Please refer to your response to DMA/USPS-T12-2b, where you state "I believe that the MODS activity at the operation group level and the employee's activity are consistent in the vast majority of cases."**

**Please refer also to the Postal Inspection Service final report "National Coordination Audit: Allied Workhours" (December 1996) (Case No. 034-1181680-PA(1)), 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. Do you accept the finding 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 finding and conclusions.**Tw/USPS-T12-35
- b. Is a situation in which 31 percent of employees working in LDC 17 (i.e., allied labor) operations are clocked into an incorrect operation consistent with the view that "the MODS activity at the operation group level and the employee's activity are consistent in the vast majority of cases"?**

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- c. Were you aware of the contents of the Inspection Service report at the time of your response to TW/USPS-T12-3? 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.

**TW/USPS-T12-35 Response.**

- a. I agree with Postal management's response to the audit which concurred with the recommendations of the report. I do not agree with the specific results you quote regarding the 31 percent error, for several reasons. The 31 percent error rate is being misconstrued. It applies to opening units only, not all of LDC 17 or all of MODS. The Inspection Service's calculation of the error rate is not an estimate of the misstatement of hours at the operation group (cost pool) level and was never intended to be one. Further, the report results were not designed as a statistical study of misstatement and should not be used as such.

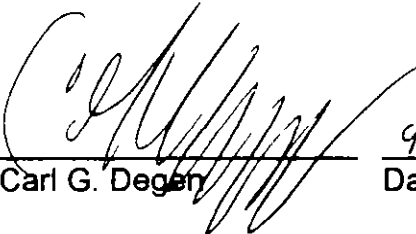
The Inspection Service report discusses allied labor operations and LDC 17 hours, but the audit was confined to opening units; "Detailed audit attention at the P&DCs focused on analyzing opening unit operations" (page 5 of the report). Opening units are likely to have more misclocking because of the nature of the operation. Opening unit results should not be applied to other operations. The reported 31 percent is the rate of misclocking at the individual operation level. In fact, the Inspection Service indicates that an employee clocked into operation 111 but working in operation 112 generates two errors by their definition. In this example, the audit reported 2 errors, one for operation 111 and one for operation 112, where none exist at the level we use the data because

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operations 111 and 112 are in the same cost pool (1OpPref). For each operation there are two kinds of errors reported in the audit: 1) an employee clocked into the operation, but working elsewhere; and 2) an employee working in the operation, but clocked elsewhere. The net effect of these two error types represents the net misstatement of hours. However, the audit reports the sum of these two error types which overstates the total net effect on opening unit hours. These error definitions and reporting practices are appropriate for the calculation of the incidence of misclocking as the Inspection Service set out to do, but these are not appropriate for an estimate of the net misstatement of hours. Furthermore, when the errors are defined at the individual operation level, the results cannot be applied to the operation group data used for Base Year 1996 costs. Finally, the audit was not undertaken as a statistically unbiased sample of the misstatement of MODS hours. Several of the audit sites were chosen because actions were being taken to address LDC 17 workhours. The results were not weighted to reflect the underlying mix of sites by size or other relevant criteria. In fact, almost 30 percent of the total number of errors are from one of the twenty-five sites. The audit was not intended to measure the overall misstatement of hours, even for opening unit operations.

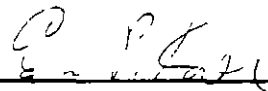
- b. As I stated in part a., the 31 percent error rate is being misconstrued and does not apply to the MODS data as used in BY 1996 costs. I continue to believe that "the MODS activity and the employees activity are consistent in the majority of cases" (DMA/USPS-T12-3b).
- c. Yes. I do not see the relevance of the report to my response to TW/USPS-T12-3. However, since my first reading of the report I have held the opinion that it is not relevant to our use of MODS data for Base Year 1996.

I, Carl G. Degen, declare under penalty of perjury that the foregoing answers **are** true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Carl G. Degen      9-30-97  
Date

## 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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Eric P. Koetting

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September 30, 1997