

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

EXPERIMENTAL PREMIUM
FORWARDING SERVICE

Docket No. MC2005-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
WITNESS ABDULKADIR M. ABDIRAHMAN
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-T3-4[d]-6)
(December 20, 2004)

The United States Postal Service hereby provides its responses to the following interrogatories of David B. Popkin: DBP/USPS-T3-4[d]-6, filed on November 24, 2004.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS ABDIRAHMAN
TO DAVID B. POPKIN INTERROGATORY

DBP/USPS-T3-4. On lines 19 and 20 of page 4 of your testimony, you indicate that the Postal Service would provide and complete the necessary PFS address labels. [a] What arrangements will exist to supply the local office with labels for the PFS customers? [b] Will the local carrier be required to take any action other than affixing a preprinted label? [c] If so, please enumerate the items that have to be completed by the local carrier. [d] Please advise how the 1 minute time was determined for filling out the label and how this was converted to a cost of \$0.76.

RESPONSE:

[a] (Response of witness Cobb filed on December 8, 2004.)

[b-c] (Response of witness Abdirahman filed on December 8, 2004.)

[d] The Change-of-Address card has two sections: one for the customer's previous address, and one for the customer's new address. The carrier is allowed two minutes to complete both sections of the Change-of-Address card. The cost of completing both sections of the Change-of-Address card was estimated to be \$1.652 as reflected in errata to my testimony filed on December 20, 2004, together with a revised Appendix. Please refer to Docket No. R2001-1, LR-J-69 Table 5.2.5.4, available at http://www.prc.gov/docs/27/27119/SECTION_C.xls. The time for filling in the PFS label is assumed to be half that of completing the Change-of-Address form because only one-half of the information needed to complete a Change-of-Address card is needed to complete the PFS label. Instead of entering both an old and new address for the customer, the carrier need only fill out the customer's name and PFS address before applying the PFS label on the package. The \$0.826 cents, which is half of \$1.652, represents the cost of a carrier filling out only one section of a Change-of-Address card.

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DBP/USPS-T3-5. [a] Please confirm, or explain if you are unable to do so, that on Page 2 of the Appendix, the \$3.46 cost is the total cost of the proxy cost of a post office box application; the \$0.02 is the total cost of the proxy cost of the collection of postage due at a call window; and the \$1.53 is the total cost of the processing of a Change-of-Address card. [b] Please provide a breakdown of the labor time and wage rate for the \$1.53. [c] Please explain how the \$3.46 labor cost was determined including an explanation of the definition of "Overhead Cost Factor", "Waiting Time Factor", and "Piggyback Factor for Window Service." Please provide copies of any of the pages from Docket No. R2001-1 that are referred to in the footnotes.

RESPONSE:

[a] I confirm that the figures provided in the question were the original numbers, but they have been revised. Please see page 2 of the revised Appendix to my testimony, filed on December 20, 2004. The \$3.46 proxy cost for the collection of postage due at a call window is now \$3.912.

[b] Please refer to Docket No. R2001-1, LR-J-69 Table 5.2.5.4 for the breakdown of labor time and wage rate. This table can be found at http://www.prc.gov/docs/27/27119/SECTION_C.xls, Table 5.2.5.4. The \$1.53 figure that I originally presented has been updated to account for inflation; it has been replaced by \$1.652.

[c] Please see the revised Appendix to my testimony, filed on December 20, 2004. According to the transaction time study referenced in footnote 1 on page 2 of the Appendix, it takes 188.32 seconds to complete a post office box rental window transaction. That translates to 0.052 hours of labor time which, multiplied by the 2005 clerk hourly wage rate of \$33.741, the Overhead Cost Factor of 1.073, the Waiting Time factor of 1.410, and Piggyback Factor of 1.465, leads to a the \$3.912 labor cost figure. $(0.052 * 33.741 * 1.073 * 1.410 * 1.465 = \$3.912)$ Overhead costs are costs for window employees involved in clocking in and out, moving empty equipment, or taking a

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break. Waiting Time costs are costs for time spent when the window employee is waiting to serve a customer. Piggyback costs are other indirect costs needed to support activity at the retail window. These factors have been used in rate cases for decades and their use has been well-supported on the record. For example, for a discussion of piggyback factors, please refer to the Docket No. R2001-1 testimony of Marc Smith, USPS-T-15. See <http://www.prc.gov/docs/27/27181/test-usps-t15-smith.pdf>. This methodological approach is not unique to this docket.

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DBP/USPS-T3-6. [a] Please confirm, or explain if you are unable to do so, that on Page 3 of the Appendix, the \$1.75 cost for repackaging is the labor cost for the two minutes that you observed. [b] Please explain how the \$1.75 labor cost was determined including an explanation of the definition of "Piggyback Factor for Window Service." Please provide copies of any of the pages from Docket No. R2001-1 that are referred to in the footnotes. [c] Please advise the approximate number of offices that you visited and the approximate number of repackaging activities that you observed to determine the 2-minute time.

RESPONSE:

[a] Confirmed that \$1.75 is the figure I originally provided to reflect two minutes' time for repackaging. However, after examining my analysis more closely, I now conclude that the correct figure is \$1.546. This new figure appears on page 3 of my revised Appendix.

[b] Please refer to my response to part (a) above. The \$1.546 is arrived at as follows: the labor time in hours (0.033 hours) is multiplied by the 2005 wage rate for carriers (\$34.200) and the Piggyback Factor for Window Service (1.356) to equal \$1.546.

[(0.033 hours)*(\$34.200)*1.356=\$1.546]. Please see the response to DBP/USPS-T3-5[c] for a further discussion of "Piggyback Factor for Window Service."

[c] I visited a total of 6 offices with some offices delivering to two ZIP Codes. I observed a total of ten repackaging activities.

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.

Kenneth N. Hollies

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December 20, 2004