

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSE OF POSTAL SERVICE WITNESS ELIANE VAN-TY-SMITH
TO INTERROGATORIES OF VALPAK DIRECT MARKETING SYSTEMS, INC., AND
VALPAK DEALERS' ASSOCIATION, INC.
REDIRECTED FROM WITNESS ROBERT L. SHAW, JR.
(VP/USPS-T2-7 and 9 [shared])
(April 29, 2005)

The United States Postal Service hereby responds to the above-listed interrogatories of Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. filed on April 15, 2005. The interrogatories were redirected from witness Robert L. Shaw, Jr.

The interrogatories are stated verbatim and are followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, Fax -5402

RESPONSE OF POSTAL SERVICE WITNESS ELIANE VAN-TY-SMITH
TO INTERROGATORIES OF VALPAK
REDIRECTED FROM WITNESS ROBERT L. SHAW, JR.

VP/USPS-T2-7.

- a. For Base Year 2004, what is the total number of IOCS tallies recorded in Cost Segment 3.1 for clerks and mailhandlers, and used to develop the costs show in your Table 1 for mail processing?
- b. Please provide a breakdown of total Segment 3.1 tallies that indicates the number and associated cost of tallies for: (i) handling an individual class or subclass of mail; (ii) handling mixed mail; (iii) moving empty equipment; (iii) not handling mail, on break; and (iv) not handling mail (please identify specific reasons to the extent practicable).

RESPONSE.

- a. The total number of IOCS tallies used to develop the costs in Table 1 is 163,880 tallies plus all 1,154 ‘clocking in and out’ tallies for the BMCs, and Post-Offices, Stations, and Branches (PO/Sta/Brs). The 163,880 tallies includes the mail processing ‘clocking in and out’ tallies for the MODS facilities, since those can be identified by MODS operations. While it is not possible to individually allocate the 1,154 tallies for the other facilities to the mail processing function because IOCS reports all such tallies under the administrative services function, a proportional reallocation by function of the aggregated costs associated with those tallies has been used. Therefore, the tally dollar weights for the 1,154 tallies shown in the first table below represent the reallocated portion for the mail processing.
- b. Listed below is the mapping of C/S 3.1 tally categories from LR-K-55 into the requested categories.

Category	No. of Tallies	Tally Dollar Weights
Handling an individual class or subclass of mail	67,593	6,188,100
Handling mixed mail items & mixed mail containers	13,206	1,053,390
Handling empty items & empty containers	12,066	1,040,083
Not-Handling	70,589	6,142,723

RESPONSE OF POSTAL SERVICE WITNESS ELIANE VAN-TY-SMITH
TO INTERROGATORIES OF VALPAK
REDIRECTED FROM WITNESS ROBERT L. SHAW, JR.

Clocking in & out for BMCs, PO/Sta/Brs – see response to a) above	1,154	90,593
Express Mail / Out-Of-Office Activities	426	55,172

The Out-of-Office activities for Express Mail Units at Post-Offices, Stations and Branches are listed separately because their costs are not distributed based on IOCS tallies but on the FY 02 C/S 3.4 distribution key. Please note that for Table 1 of USPS-T-2, mixed mail handling tallies (which include handling empty equipment) are distributed to subclasses by cost pool, and within cost pool by item type and by container type based on the volume (cube) occupied by shapes of loose pieces and item types in the container (see USPS-T-11, in particular section 3.2.3, and LR-K-55 Part II, for a definition of the various categories). Please also note that not-handling tallies are categorized by the cost pools in which they occur, and are generally distributed in proportion to the subclasses from the handling tallies (direct tallies, and distributed item and container tallies) within a cost pool. They are not distributed across cost pools solely on the basis of IOCS activity codes. The table below was generated only to answer this question.

Not-Handling Categories (based on IOCS activity codes)	No. of Tallies	Tally Dollar Weights
Not-handling related to IOCS Q.19 operations (5610,5620,5700,5750)	23,785	2,105,729
Empty Equipment (6523,6524)	4,809	417,848
Breaks (6521)	21,883	1,885,049
Clocking in/out for Plants (6522)	2,757	235,454
Platform - related to IOCS Q.18b (6210,6220,6225)	5,415	387,698
Special Services & Miscellaneous Operations (primarily IOCS Q.18e)	6,082	546,357
Mail Processing Support and Other	5,858	564,586

RESPONSE OF POSTAL SERVICE WITNESS ELIANE VAN-TY-SMITH
TO INTERROGATORIES OF VALPAK
REDIRECTED FROM WITNESS ROBERT L. SHAW, JR.

VP/USPS-T2-9.

For the costs associated with all tallies which do not indicate that an individual class or subclass of mail was being handled (e.g., handling mixed-mail, handling empty equipment, on break — not handling mail, etc.), please indicate:

- a. Which types of tallies have their associated costs distributed in proportion to the cost of direct “handling-mail” tallies (*i.e.*, tallies where either an individual piece of mail or an identifiable subclass of mail is being handled); and
- b. Which types of tallies have their associated costs distributed on a basis that is not in proportion to the cost of direct “handling-mail” tallies. For any such tallies, please provide a brief description of how their associated costs are distributed.

RESPONSE.

- a. Explanations of city carrier tallies have been retained by witness Shaw.

For clerk and mail handler mail processing tallies, it should be noted that the cost estimates shown in Table 1 of USPS-T-2 represent the total of volume-variable costs for C/S 3.1 developed at the cost pool level (see sections B.1, B.2.1, and Table 1 of USPS-T-11), before premium pay adjustment. The final distribution keys consist of the combined direct tallies, distributed mixed-mail tallies and distributed not-handling tallies within a cost pool, as defined and described in Section B.2.3 of USPS-T-11, *Cost Pool Distribution Keys*. Section B.2.3.a indicates that mixed-mail tallies within a cost pool where the employee is observed to be handling an “item” (uncounted or empty) or a “container” (with mail contents “identified” by percentages of shapes of loose mail and item types) are distributed in proportion to the direct tallies by subclass for the *same item type(s) and/or piece shapes within that cost pool*. (See footnote 14 for a definition of the terms “items” and “containers” and footnote 16 for a definition of the terms “identified” and “unidentified” relating to containers.)

- b. Section B.2.3.a also indicates that within a cost pool, tallies for employees observed to be handling either an “unidentified” or empty container are distributed to subclasses in proportion to the subclasses from the combined direct container tallies (*i.e.* containers with identical mail) and distributed “identified” container tallies for the

RESPONSE OF POSTAL SERVICE WITNESS ELIANE VAN-TY-SMITH
TO INTERROGATORIES OF VALPAK
REDIRECTED FROM WITNESS ROBERT L. SHAW, JR.

same container types in that cost pool. Section B.2.3.b indicates that within a cost pool, regardless of the specific not-handling activities of the employees, tallies for employees observed not to be handling a piece of mail, an “item” or a container are distributed to subclasses, based on the handling tallies in that cost pool. The handling tallies consist of the direct tallies and the distributed mixed-mail tallies. Sections B.2.3.b and B.2.3.c also indicate for certain cost pools such as the Platform, the Miscellaneous and the Support cost pools, the distribution keys for the not-handling tallies are based on handling tallies from groups of cost pools.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX: -5402
April 29, 2005