

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 INTERROGATORY OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-T11-1)
(June 3, 2005)

The United States Postal Service hereby responds to the above-listed interrogatory of Major Mailers' Association, filed on May 20, 2005. The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

By its attorneys:

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Page 54 of Library Reference LR-USPS-K-48 lists LR-USPS-K-55 as the source for wage rates on that page. Please refer to the wage rate provided for Remote Encoding Centers (REC), shown to be \$20.795 per hour.

- A. Please confirm that the "REC" wage rate for this operation was \$20.409 per hour in R2001-1 and \$17.786 per hour in R2000-1. If you cannot confirm, please explain.
- B. Please explain why the wage rate for this operation increased by 15% between R2000-1 and R2001-1, but increased by only 2% between R2001-1 and R2005-1.
- C. Please provide the average hourly wage rates for (1) mail processing, and (2) the REC operation for each of the last 10 fiscal years.

RESPONSE

- a. Confirmed that these C/S 3 hourly rates represent test year (TY) rates for the RECs, and that the TY03 wage rate was \$20.409 in R2001-1 and the TY01 wage rate was \$17.786 in R2000-1.
- b. The TY wage rate for the RECs is calculated by factoring the base year (BY) wage rate for the RECs by the TY overall C/S 3 projected wage rate increase. Thus, changes in the TY wage rate are associated with changes in the BY wage rate and its projected increase for the length of the rate cycle. In R2000-1, the TY01 wage rate of \$17.786 was based on the BY98 wage rate of \$15.8186 to which a three-year projected wage rate increase of 12.4343 percent for C/S 3 was applied (see LR-I-106 and LR-I-127). In R2001-1, the TY03 wage rate of \$20.409 was based on the BY00 wage rate of \$17.9551 to which base a three-year projected wage rate increase of 13.6656 percent for C/S 3 was applied (see

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LR-J-55 and LR-J-50). In R2005-1, the TY06 wage rate of \$20.795 was based on the BY04 wage rate of \$19.3421 to which a two-year projected wage rate increase of 7.5142 percent for C/S 3 was applied (see LR-K-55 and LR-K-50). The increase in base year wage rate was 14 percent between BY98 and BY00, and 8 percent between BY00 and BY04. The difference in percentage increases between these two time periods reflects the changing labor mix: the proportion of costs from full-time regular employees at higher wage rates versus costs from transitional and flexible employees at lower wage rates was greater in the first period than in the second

- c. Wage rates for the RECs and for mail processing and other non-window service activities have only been computed for the rate cases listed below.

Year	Mail Processing & Other	RECS	Source
BY 1996	24.1701	14.1718	LR-H- 146 / R97
BY 1998	25.1207	15.8186	LR-I-106 / R2000-1
BY 2000	27.1326	17.9551	LR-J-55 / R2001
BY 2004	33.2724	19.3421	LR-K-55 / R2005

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.

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