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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97–1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PATELUNAS TO INTERROGATORY OF DIRECT MARKETING ASSOCIATION, INC. (DMA/USPS-T15-9)

The United States Postal Service hereby provides the response of witness

Patelunas to the following interrogatory of Direct Marketing Association, Inc.: DMA/
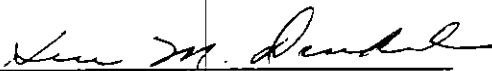
USPS-T15-9, filed on September 26, 1997.

The 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

Susan M. Duchek

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Washington, D.C. 20260–1137
(202) 268–2990; Fax –5402
October 9, 1997

DMA/USPS-T15-9. Please refer to your response to DMA/USPS-T15-3(a) where you state, "the nonvolume workload adjustment for Supervisors and Technicians is a piggyback on either Time and Attendance Clerks and Mailhandlers or Access and Route Time for City Carrier Street Time." Please refer also to LR-H-12, pages 437-441.

a.   Please confirm that, after the cost level adjustment of the roll forward shown on pages 437-441 of LR-H-12, (i) the cost (in thousands) for Supervision of Mail Processing and Window Service - Direct Labor and Overhead is $1,067,397, (ii) the cost (in thousands) for Mail Processing and Window Services - Mail Processing is $14,053,271, (iii) the cost (in thousands) for Supervision of City Delivery Carriers is $722,514, and (iv) the cost (in thousands) for City Delivery Carriers is $12,132,780.

b.   Please confirm that, after the cost level adjustment of the roll forward shown on pages 437-441 of LR-H-12, (i) the ratio of mail processing costs to mail processing supervision costs is 13.17 and (ii) the ratio of city delivery carrier costs to city delivery carrier supervision costs 16.79. If not confirmed, please provide the correct figure(s).

c.   Please confirm that, after the nonvolume workload effect adjustment of the roll forward shown on pages 437-441 of LR-H-12, (i) the cost (in thousands) for Supervision of Mail Processing and Window Service - Direct Labor and Overhead is $1,086,934, (ii) the cost (in thousands) for Mail Processing and Window Service - Mail Processing is $14,310,963, (iii) the cost (in thousands) for Supervision of City Delivery Carriers is $735,097, and (iv) the cost (in thousands) for City Delivery Carriers is $12,341,000.

d.   Please confirm that, after the nonvolume workload effect adjustment of the roll forward shown on pages 437-441 of LR-H-12, (i) the ratio of mail processing costs to mail processing supervision costs is 13.17 and (ii) the ratio of city delivery carrier costs to city delivery carrier supervision costs is 16.79. If not confirmed, please provide the correct figure(s).

e.   Please confirm that, in combination, the mail volume effect and the nonvolume workload effect adjustments for supervisors and technicians maintain a constant ratio (i) of mail processing supervision costs to mail processing costs and (ii) of city delivery carrier costs to city delivery carrier supervision cost. If not confirmed, please explain fully.

f.   Please confirm that the mail volume effect and nonvolume workload effect adjustments for supervisors and technicians are piggybacks on the personnel components supervised. If not confirmed, please explain how the Postal Service

DMA/USPS-T15-9 continued:

develops the mail volume effect and nonvolume workload effect adjustments for
supervisors and technicians.

     g.   If subpart f. is confirmed, please confirm that the term "piggyback" as
used in subpart f. means that if the mail volume effect and nonvolume workload effect
adjustments increase the cost for personnel components supervised by X percent, then
the mail volume effect and nonvolume workload effect adjustments for Supervisors and
Technicians will increase Supervisor and Technicians costs for that personnel
component by X percent. If not confirmed, please explain fully the use of the term
"piggyback" in your response to DMA/USPS-T15-3(a).

DMA/USPS-T15-9 Response:

a.   (i)   Subpart (i) is confirmed.

      (ii)   Subpart (ii) is confirmed.

      (iii)   Subpart (iii) is confirmed.

      (iv)   Subpart (iv) is confirmed.

b.   (i)   Subpart (i) is confirmed.

      (ii)   Subpart (ii) is confirmed.

c.   (i)   Subpart (i) is confirmed.

      (ii)   Subpart (ii) is confirmed.

      (iii)   Subpart (iii) is confirmed.

      (iv)   Subpart (iv) is confirmed.

d.   (i)   Subpart (i) is confirmed.

      (ii)   Subpart (ii) is confirmed.

e.   (i) and (ii)   For subparts (i) and (ii), it is confirmed that for the combination of

the mail volume and nonvolume effects, a constant piggyback ratio (independent

DMA/USPS-T15-9 Response continued:

components to dependent components) is maintained in the model. It is important to

note that while this is true for these two effects, the effects for the cost level, cost

reduction and other programs effects do not have similar piggybacks; hence, the ratio

changes. For example, in Base Year 1996 the Mail Processing and Window Service

Clerks and Mailhandler costs to the Mail Processing and Window Service Supervisor

costs is 12.66. See USPS Library Reference H-12, pages 375-376.

f.   Part f. is confirmed.

g.   Part g. is confirmed for the meaning of the term "piggyback": "if the mail volume

effect and nonvolume workload effect adjustments increase the cost for personnel

components supervised by X percent, then the mail volume effect and nonvolume

workload effect adjustments for Supervisors and Technicians will increase Supervisor

and Technicians costs for that personnel component by X percent." It is important to

note the use of the term "component" in the definition. The rollforward model executes

its procedures on a component by component basis and in the case of piggybacks,

there are independent components and dependent components. For example, Mail

Processing and Window Service clerks and mailhandlers are independent components

and Mail Processing and Window Service Supervisors are dependent components.

The use of the piggyback function in the mail volume and nonvolume workload effects

is important to maintain the relationship between the independent and dependent

components not only in terms of the accrued costs, but also in terms of the

DMA/USPS-T15-9 Response continued:

relationships between the classes, subclasses and special services for those
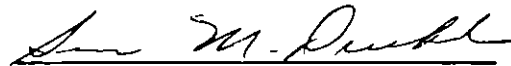
components.

DECLARATION

I, Richard Patelunas, declare under penalty of perjury that the foregoing

answers are true and correct, to the best of my knowledge, information, and belief.

Dated:___10/9/97___

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.

Susan M. Duchek

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