

DOCKET SECTION

POSTAL RATE COMMISSION

Washington, D.C. 20268-0001

Office of the Chairman

October 15, 1997

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Daniel J. Foucheaux, Jr., Esquire  
Chief Counsel, Ratemaking  
United States Postal Service  
475 L'Enfant Plaza West, SW  
Washington, DC 20260-1137

Dear Mr. Foucheaux:

In Docket No. R97-1, two Inspection Service National Coordination Audits have been made Library References, H-220 (Mail Volume Measurement and Reporting Systems, December, 1996) and H-236 (Allied Work Hours, December, 1996). These audits have been the subject of discovery by the parties. Both audits criticize the reliability of data from the Management Operating Data System (MODS).

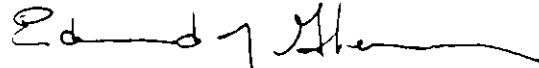
Postal Service witnesses Degen and Bradley present testimony heavily dependent on MODS data. Witness Degen's testimony relies on MODS to shift \$0.8 billion in Segment III costs from administrative and window service to mail processing. Witness Bradley's testimony analyzes MODS data and reduces attribution of mail processing costs by \$2.6 billion.

Witnesses Degen, in response to TW/USPS-T12-35, and Moden, in response to TW/USPS-T4-30, make various assertions as to why the concerns surfaced in the Inspection Audit reports contained in Library References-H-236 and H-240 are not "relevant to our use of MODS for Base Year 1996" (response to TW/USPS-T12-35c). For example, it is asserted that "the audit was not undertaken as a statistically unbiased sample of the misstatement of MODS hours" (response to TW/USPS-T12-35a); and "I believe that the sites chosen by the Inspection Service were not selected randomly, but rather were chosen because they were likely to exhibit the conditions found in the report" (response to TW/USPS-T4-30a).

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The audit recommendations and management's response to those recommendations do not indicate that the audits were limited in scope and meant to apply only to *selected* facilities. It would greatly enhance the record of this proceeding if the parties and the Commission could learn more about the quality of the MODS data and especially about the importance of the issues raised in these Inspection Service reports. Accordingly, I request that the Postal Service make available as a witness the author or some individual competent to answer questions about each of these audits.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward J. Gleimah", written in a cursive style.

Edward J. Gleimah  
Presiding Officer  
Docket No. R97-1

cc: Service list Docket No. R97-1