

DOCKET SECTION

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS DEGEN TO INTERROGATORIES OF  
TIME WARNER, INC.  
(TW/USPS-T12-42-43)

The United States Postal Service hereby provides responses of witness Degen to the following interrogatories of Time Warner, Inc.: TW/USPS-T12-42-43, filed on October 7, 1997.

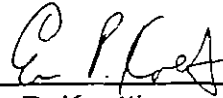
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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October 17, 1997

Response of United States Postal Service Witness Degen  
to Interrogatories of Time Warner Inc.

TW/USPS-T12-42. Please refer to your response to OCA/USPS-T12-60(a) (filed September 25, 1997), where you state: "Assuming that the MODS operation group productivities do not vary much by subclass, then the distribution keys' proportions of cost can be interpreted as proportions of handlings."

- a. Please describe the arguments and/or evidence that justified an assumption that the MODS operation group productivities do not vary much by subclass.
- b. Please describe the arguments and/or evidence that you considered, in the process of deciding that this assumption is justified, that weighted against making it.

TW/USPS-T12-42 Response.

OCA/USPS-T12-60 asks how volume estimates by subclass might be derived from IOCS data. As I state in my testimony, IOCS is "used to estimate costs for time spent by various types of employees performing different functions" (USPS-T-12 at 1). As such, IOCS does not produce volume estimates of any sort. In my response to OCA, I simply stated the *type of assumption that would be needed to apply proportions of cost for a given function from IOCS to a corresponding volume measures generated in another data system (i.e., MODS TPH) to obtain an estimate of volume by subclass.* Note that I did not specifically justify the assumption in my response to OCA, but I believe the assumption is justifiable.

- a. The main argument in favor of the assumption that MODS operation group productivities do not vary much by subclass is that the MODS operation groups for which TPH is available are defined along shape and

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technology dimensions. Preserving a “meaningful homogeneity of the operations” (USPS-T-12 at 6; see also USPS-T-14 at 27) was a key factor in determining the MODS operation groups. Factors such as weight, thickness, packaging, and address readability may affect whether certain subclasses are worked in mechanized or automated operations. However, for the mail actually worked on a given type of machine, I am not aware of any reason why the machine pace should vary by subclass. For manual operations, letter, flat, and parcel sortation fall into separate operation groups. Thus, differences in the shape distribution of mail subclasses alone will not cause large productivity differences by subclass. For there to be relevant productivity differences by subclass, there would have to be significant differences in the time it takes to manually sort letter (or flat, or parcel) shaped pieces of various subclasses. I am not aware of any studies that have identified systematic variations across subclasses in characteristics that might affect manual productivities by shape.

- b. If there are systematic variations in subclass characteristics that affect manual productivities by shape, that would weigh against the assumption of equal productivities by subclass in an operation group. As indicated in my response to part a, I am aware of no studies of this issue.

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TW/USPS-T12-43. Please refer to DMA/USPS-T12-10(a) (response filed September 30, 1997), which quoted you as stating, "I believe that the MODS activity at the operation group level and the employee's activity are consistent in the vast majority of cases" (response to DMA/USPS-T12-3(b)), and which then asked you to "confirm that you have performed no quantitative analyses to support" that belief.

Your answer states in part that you "have not personally performed any quantitative analysis of the consistency between MODS activity and employee activity." Please provide citations and copies of, or if that is impossible describe the substance of, any analyses, quantitative or otherwise, of the consistency between MODS activity and employee activity in any of the following categories: (i) whose preparation was associated with in any capacity; (ii) whose preparation was associated with the process of developing your new methodology for distributing mail processing costs; (iii) whose preparation Christensen Associates was associated with in any capacity; (iv) that you were aware of at the time you prepared your testimony; or (v) that you are now aware of.

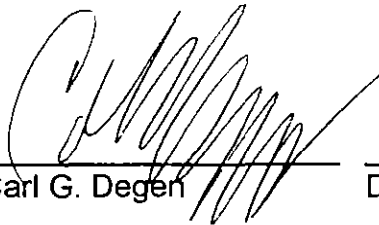
TW/USPS-T12-43 Response.

*i.-v. I have not performed any quantitative analysis of the consistency between employee's clocked-in MODS operation and actual activity, nor am I aware of such analyses performed by anyone else. The Inspection Service audit of allied workhours (LR-H-236) would, on its face, appear to address this issue, but for reasons specified in my response to TW/USPS-T12-35, it does not allow analysis of misclocking at the operation group level. As for other-than-quantitative analysis, I cannot point to specific research. However, as stated in my response to DMA/USPS-T12-10 part a, I interpret the strength of the relationship between MODS hours and TPH in witness*

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**Bradley's model as evidence that there is not a great deal of "noise" in  
MODS workhours.**

I, Carl G. Degen, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Carl G. Degen                      10-17-97  
Date

## 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.



\_\_\_\_\_  
Eric P. Koetting

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October 17, 1997