

# DOCKET SECTION

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS DEGEN TO INTERROGATORIES OF  
THE ALLIANCE OF NONPROFIT MAILERS  
(ANM/USPS-ST47-1 - 5, AND ANM/USPS-ST44-10,  
REDIRECTED FROM WITNESS McGRANE)**

The United States Postal Service hereby provides responses of witness Degen to the above interrogatories of ANM, filed on November 14, 1997. Each interrogatory is stated verbatim and is followed by the response.

Although the interrogatories directed to witness Degen are labeled as "ST47," they are not addressed to that supplemental testimony, which relates only to portions of what was originally filed as LR-H-89. In fact, these are merely further interrogatories concerning the core subject of witness Degen's testimony (USPS-T-12), and relate generally to those portions of LR-H-146 which directly support USPS-T-12. The fact that these interrogatories relate to direct rather than supplemental testimony is confirmed by the fact that virtually every answer includes a reference back to material entered into evidence during hearings on USPS-T-12. Under the totality of circumstances involved, and given the content of these questions, it is easier to respond than engage in needless motions practice. However, as stated earlier at hearings (Tr. 12/6087-91), the Postal Service will strongly object to any attempt by parties who, despite having had full opportunity to cross-examine Mr. Degen on the types of matters addressed in these interrogatories, try to take another bite at the apple. ANM, for example, conducted cross-examination of witness Degen

regarding his new methodology and IOCS data collection procedures on October 23 (Tr. 12/6633-46), and should not be allowed to conduct any additional cross-examination on these interrogatories or any related matters.


To be as clear as possible, the Postal Service considers that, at a minimum, Parts I, II, IV, V, and IX of LR-H-146 are so clearly background documentation of the methodology presented in Mr. Degen's direct testimony, USPS-T-12, that they cannot properly be considered "supplemental" in any realistic sense of the term. Mr. Degen provided a substantial number of discovery responses on that methodology, presented a well-attended technical conference, and withstood cross-examination. Since parties have already had ample opportunity to probe Mr. Degen on that methodology as it relates to those portions of LR-H-146, and have in fact availed themselves of that opportunity, the Postal Service will object to any cross-examination which relates primarily or exclusively to the above-specified parts of the library reference during any subsequent hearings in which Mr. Degen testifies.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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\_\_\_\_\_  
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November 21, 1997

**Response of United States Postal Service Witness Degen  
to Interrogatories of the Alliance of Nonprofit Mailers**

**ANM/USPS-ST47-1**

**Please refer to the discussion in LR-H-146, p. II-3, of distribution items where the contents are counted.**

- a. When an IOCS tally is taken and the clerk or mailhandler is handling an item of mixed-mail, for which types of items and under what conditions is the mixed-mail counted?**
- b. Suppose a clerk is handling an item such, as a sack, that contains other items, such as bundles, of mixed-mail. When a tally is taken under such circumstances, (i) is all mail in the sack counted, or (ii) is the mail in selected bundles within the sack counted?**
- c. Please explain if there are situations involving items where mixed-mail may, or may not, be counted.**

**ANM/USPS-ST47-1 Response.**

- a. The Top Piece Rule applies to mixed-mail bundles, letter trays, and flat trays. IOCS data collectors are instructed to record in question 24 (if possible) the contents of mixed-mail items of other types, i.e., parcel trays, con-cons, pallets, sacks, and pouches. Please see Tr. 12/6456-6461, Tr. 12/6542-6543, and Tr. 12/6548-6549 for additional discussion.**
- b. The instructions are to count all of the mail in the sack if possible. Please see LR-H-49, pages 90-91.**
- c. Please see the response to part a.**

**Response of United States Postal Service Witness Degen  
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**ANM/USPS-ST47-2**

**When an IOCS tally is taken and the clerk or mailhandler is handling a container of mixed-mail, are there types of containers or conditions under which the mixed-mail is counted? If so, please describe.**

**ANM/USPS-ST47-2 Response.**

**Mixed-mail containers are not "counted" in the way that mixed-mail items are counted. See USPS-T-12, page 9, for a definition and brief description of "identified" containers, and Tr. 12/6298-6299 for additional discussion.**

**Response of United States Postal Service Witness Degen  
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**ANM/USPS-ST47-3**

**At page II-2 of LR-H-146, a note states that IOCS tallies are divided into three facility types: MODS 1&2, BMCS, and NON-MODS. Can counted mixed-mail tallies be taken at any of these three types of facilities, or is counting of mixed-mail restricted to one or two types of facilities?**

**ANM/USPS-ST47-3 Response.**

**Yes, counted mixed-mail tallies can be (and are) taken at all three types of facilities. See, e.g., the "counted items" columns of spreadsheets DMA15mod.xls, DM15modp.xls, DMA15bmc.xls, and DMA15nmd.xls, in LR-H-305.**

Response of United States Postal Service Witness Degen  
to Interrogatories of the Alliance of Nonprofit Mailers

ANM/USPS-ST47-4

- a. When mixed-mail is counted for purposes of creating an IOCS tally, are separate "tallies" created for each subclass of mail, or is all information concerning the mail count recorded in a single tally?
- b. If counting of mixed-mail results in creation of more than one "separate tally", please provide the total number of such mixed-mail tallies included in the tallies in LR-H-23 for Standard A (i) Regular ECR, (ii) Regular non-ECR, (iii) Nonprofit ECR and (iv) Nonprofit non-ECR.
- c. The total number of "separate" counted mixed-mail tallies for Standard A mail represents how many actual individual, independent observations by an IOCS tally clerk?

ANM/USPS-ST47-4 Response.

- a. See Tr. 12/6302 and Tr. 12/6304.
- b. See the table below.
- c. See the table below.

Counted item records in FY 1996 IOCS tally file (LR-H-23)  
Standard Mail (A) categories

Category	Count
Standard (A) Bulk Regular, ECR	49
Standard (A) Bulk Regular, Other	217
Standard (A) Nonprofit, ECR	9
Standard (A) Nonprofit, Other	53
# of unique counted item tallies associated with above records	215

**Response of United States Postal Service Witness Degen  
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**ANM/USPS-ST47-5**

**Do mail processing IOCS tallies in LR-H-23 include counted mixed-mail tallies? If so, please identify and describe all fields that distinguish counted mixed-mail tallies from direct tallies that deal only with one class of mail (e.g. single-piece tallies, or tallies where all the mail in the item or container is identical).**

**ANM/USPS-ST47-5 Response.**

**Yes, mail processing IOCS tallies include counted mixed-mail tallies; please see Tr. 12/6226, Tr. 12/6231-6232, and my responses to ANM/USPS-ST47-3 and ANM/USPS-ST47-4 part b. See page II-3 of LR-H-146 for the criteria with which item and container tallies are distinguished from single piece tallies. Counted item tallies may be identified by a nonblank entry in field F9253B. Identical mail items and containers may be identified using fields F9216 and F9220. See the hardcopy documentation to LR-H-23 for additional description of these fields.**

Response of United States Postal Service Witness Degen  
to Interrogatories of the Alliance of Nonprofit Mailers  
(Redirected from Witness McGrane)

**ANM/USPS-ST44-10.** In the current case, does the Postal Service's cost distribution methodology, as refined in the distribution keys used by witness Degen to develop Base Year 1996 volume variable costs by class and subclass, embody the principles discussed in VP-CW/USPS-ST44-23? Please discuss why they do or do not, explaining fully each step in you (sic) reasoning in plain English.

**RESPONSE**

I understand that witness McGrane received an interrogatory numbered VP-CW/USPS-ST44-23. However, since VP-CW/USPS-ST44-23 and the present interrogatory were filed on the same day, I do not believe that you meant to refer to VP-CW/USPS-ST44-23. I assume that you actually meant to refer to interrogatory VP-CW/USPS-ST44-2. That interrogatory requested a discussion of "the theory that underlies the use of IOCS tallies to study the effect of weight on mail processing costs of Standard A mail."

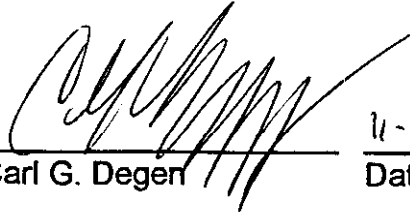
The primary purpose of IOCS is to estimate the cost associated with time spent by various types of employees performing different functions (see USPS-T-12, page 1). All cost segments and components that depend on IOCS use some form of this general approach, with the specific definitions of "types of employees" and "functions" depending on the cost segment or component being considered. In the case of the new mail processing (Cost Segment 3.1) distribution methodology, the "types of employees" are, of course, clerks and mailhandlers, and the "functions" include handling mail of particular subclasses, handling "mixed mail," and other (or "not-handling-mail") work, in each of the mail processing cost pools. Only relative proportions of IOCS costs are used to generate the distributed volume-variable mail



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processing costs, since the volume-variable costs themselves are derived from the Pay Data System and the MOD System. The subclass distribution of certain sets of IOCS "direct" costs are, furthermore, used to estimate the unobserved subclass distribution of certain mixed-mail costs, and to identify appropriate distributions to subclass for the not-handling-mail costs. The "subclasses" reported in the Base Year CRA are themselves composites of more detailed activities, such as handling mail of particular subclasses, shapes and/or weights. Thus, estimates of mail processing costs by characteristics other than subclass, or in addition to subclass, also fall under the same general approach.

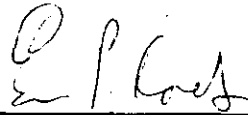
I, Carl G. Degen, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Carl G. Degen

11-21-97  
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.

A handwritten signature in black ink, appearing to read "Eric P. Koetting", written over a horizontal line.

Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
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November 21, 1997