

DOCKET SECTION

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

RECEIVED
DEC 17 4 46 PM '97

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

WRITTEN RESPONSES OF POSTAL SERVICE WITNESS DEGEN
TO QUESTIONS POSED AT DECEMBER 10 HEARING
(December 17, 1997)

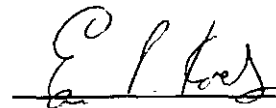
Attached are the written responses of witness Degen to questions posed at the hearings on December 10, 1997. The Postal Service was also requested (Tr. 18/8301-02) to provide additional information on LR-H-220. Our current understanding is that the Inspection Service is working on that request, and that the information will be made available when it has been compiled.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992; Fax 75402
December 17, 1997

Written Response of United States Postal Service Witness Degen
to Oral Questions of the Presiding Officer

Q. Do you know how many times and at what times Headquarters may have approved changes in conversion factors, and what percentages of mail... may have been impacted by this establishment of... local conversion factors? (Tr. 18/8268 lines 4-8)

A. To the extent that the transcript (at Tr. 18/8267-8269) might have left the impression that there is some—although “very limited”—authorization of local conversion factors including those applied to Scale Weight System (SWS) transactions, my current understanding is somewhat different. I have been informed that Headquarters has not approved any changes in SWS conversion factors that convert weight to pieces. The use of national conversion factors for SWS has been the policy of the USPS over time. My understanding is that the SWS conversion factors are hard-coded into the system, so they cannot be overwritten by local units. Note that the section on MODS data in the Inspection Service workload audit makes no mention of sites using locally developed SWS conversion factors. Rather than my recollection of very limited local deviations from SWS conversion factors, there have actually been none.

With respect to conversion factors based on inputs other than weight, I am aware of one situation in which sites may be authorized to use locally developed conversion factors. Recall that parcel FHP volumes are determined by conversions from containers to pieces or by direct piece counts. Sites are allowed to develop local container to piece conversion

Written Response of United States Postal Service Witness Degen
to Oral Questions of the Presiding Officer

factors for manually processed Priority mail, for which mixed shapes are commonly included in the same container. For example, a site processing mostly parcel-shaped Priority mail because of a local originator of parcel shipments such as a catalog retailer would have a different count of pieces per container than a site processing Priority mail for an area with many small non-manufacturing businesses, where there would be a higher concentration of flat-shaped Priority. In such cases, use of locally developed pieces per container conversion factors would improve the accuracy of Priority FHP volumes. If a site develops its own pieces per container factor for manually processed Priority FHP, it must have on hand documentation as to how that conversion factor was developed, in case of an audit. Machine counts are used at all sites processing Priority mail of mixed shapes on mechanized equipment (e.g., Small Parcel and Bundle Sorters). I am not aware of the extent to which this type of local conversion factor is used in the field; such information would have to be obtained from the field units themselves. I believe this is consistent with my earlier statement that the use of local conversion factors is very limited.

Written Response of United States Postal Service Witness Degen
to Oral Questions of the Presiding Officer

Q. Can you give me a sense of what the range is and the standard deviations are of the changes that result in these average percentage revisions [reported in response to DMA/USPS-T12-9, Tr. 12/6160-6161]? (Tr. 18/8337 lines 14-16)

A. The requested statistics are reported in the table below. Please note that the maximum and minimum percentage changes appear to be outliers, as they are 8.9 and 10 standard deviations away from the mean.

Summary statistics related to response to DMA/USPS-T12-9.

Statistic	Value
Mean	-0.09%
Median	0%
Standard Deviation	1.30%
Maximum	11.48%
Minimum	-13.11%
N	335

Written Response of United States Postal Service Witness Degen
to Oral Questions of the Presiding Officer

Q. Could you please provide some specific examples of the activities that compose these \$17 million in IOCS administrative costs that are performed while clocked into BCS operations [and migrated costs for other operations]? (Tr. 18/8354 lines 13-16)

A. I provided a breakdown by cost pool and IOCS activity code of the migrated costs in spreadsheet DMA-12.xls, USPS-LR-H-296. This spreadsheet indicates the IOCS activities actually observed of employees who were recorded as clocked into MODS mail processing operations. Four activity codes account for the vast majority of costs migrating from the administrative component to mail processing. These are 6521 (breaks/personal needs), 6522 (clocking in/out), 6523 (empty equipment), and 6630 (general administrative). In the old methodology, the 6522 costs were redistributed among components in the worksheets, and 6523 costs were reassigned to mail processing. Most of the activity code 6630 costs are in catch-all categories: "General Administrative Activities" in IOCS question 18G, and "None of the above" in the selections for question 18G "Other." See USPS-LR-H-49, pages 76-77 and 80. The next largest categories for activity code 6630 are the "union business" and "talking to supervisor" categories in question 18G. The 6521 tallies have MODS mail processing operation numbers, but the data collector did not indicate in question 18G that the employee was on break from mail processing.

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.

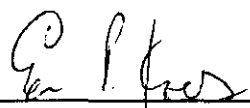


Carl G. Degen

12-16-97
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

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
December 17, 1997