

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

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE DIRECT MARKETING ASSOCIATION, INC. WITNESS BUC
(USPS/DMA-T1-1-5)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Direct Marketing Association, Inc. witness Buc: USPS/DMA-T1-1-5.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Scott L. Reiter

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January 12, 1998

Witness Buc (DMA-T-1)

USPS/DMA-T1-1. Please refer to Library Reference H-10, Exhibits A, B, and C.

Please confirm that the detailed personnel cost reduction and other program-dollar amounts for supervisors, clerks, mail handlers, and city carriers listed by program equal the amounts reflected in the rollforward model runs used in this Docket for cost segments two, three, and six and seven. If you do not confirm please list any differences and the amounts.

USPS/DMA-T1-2. On page 4 lines 24-27 of your testimony you state “the rollforward program incorporates a number of upward adjustments in mail volume, non-volume workload and other programs that increase the costs of supervisors when clerks’ and mailhandlers’ and carriers’ costs increase. However, the cost reduction portion of the rollforward program does not contain a corresponding downward adjustment in supervisors’ costs to reflect savings in direct labor when costs for clerks, mailhandlers and carriers decrease.”

- (a) Please confirm that a majority of the other programs listed on Exhibits A and B of LR H-10 which reflect increases in clerk, mailhandler, and city carrier costs do not reflect increases in supervisor costs. If you do not confirm please explain fully.
- (b) In your opinion should all other programs which result in cost increases to clerks, mailhandlers, or city carriers result in corresponding cost increases in supervisors? If your answer is no, please explain which ones should result in increases and which ones should not and why. Include in any negative answer an explanation of how these other programs differ conceptually from the cost

reductions which you have argued should have corresponding decreases in supervisors.

USPS/DMA-T1-3. Please refer to page 5, line 13 of your testimony where you state that "it appears that program managers simply did not realize that they were supposed to adjust supervisors' and technicians' costs downward as they did for the costs for mail processing clerks and mailhandlers and city carriers due to the cost reduction programs." Also refer to the responses of witness Patelunas to DMA/USPS-T15-1b. and DMA/USPS-T15-5e.i).

- (a) Please confirm that the responses to the two interrogatories cited above explain that program managers used "their own understanding of the relationships between craft employees and supervisors when they determined these cost reduction estimates" and that "it would not be realistic to conclude from your arithmetic that program managers did not analyze the effect on supervisor and technician workyears". If you do not confirm please explain fully.
- (b) Please explain how you determined that program managers "simply did not realize that they were supposed to adjust supervisors' and technicians' costs downward as they did for the costs for mail processing clerks and mailhandlers and city carriers due to the cost reduction programs". Include in your answer how you interpreted the two interrogatory responses cited above in making your determination.
- (c) Isn't it possible that program managers considered the viability of supervisor savings related to cost reduction programs and determined that they were not viable? If your answer is other than an unqualified yes, please explain the basis for your conclusion.

USPS/DMA-T1-4. Please refer to page 3 of LR H-10 which explains how the cost reduction and other program cost impacts used in this Docket were estimated and evaluated.

- (a) Confirm that the last paragraph on the page states that "major program plans and assumptions are subjected to an intensive review and validation by our investment review and approval process. During the formulation phase of the budget process, an additional reality check is performed on all major program assumptions. This step utilizes a team of field operational and financial managers to review the program savings/cost targets and resolve issues with the program managers or sponsors. These steps ensure planning assumptions used in formulating program expectations are reasonable and accurately portray the impact a program will have on the Postal Service's financial position." If you do not confirm please explain your answer fully.
- (b) Please confirm that the process described above indicates that cost reduction and other programs receive more than more than one level of review. If you do not confirm please explain your answer fully.
- (c) Confirm that a process with multiple levels of review would tend to lessen the likelihood that supervisor savings related to cost reduction programs would be overlooked as opposed to consciously determined not to result from the cost reduction programs reflected in the revenue requirement and the rollforward model runs used in this Docket. If you do not confirm please explain your answer fully.

USPS/DMA-T1-5 Assume that supervisor cost savings related to cost reduction programs were evaluated and consciously determined by Postal Service program

managers and program reviewers not to be viable for the development of budgets and the revenue requirement for this Docket.

- (a) Under such a scenario, should supervisor cost reduction savings not recognized by Postal management as viable for budget and revenue requirement purposes be artificially reflected in the revenue requirement using the mechanical calculation method you have proposed? Please explain your answer fully.
- (b) In your opinion, will the additional supervisor savings you are recommending for inclusion in the revenue requirement be achieved (captured) if they are not reflected in Postal Service Budgets? Please explain your answer fully?

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 "Scott L. Reiter", written over a horizontal line.

Scott L. Reiter

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