

DOCKET SECTION

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE OFFICE OF THE CONSUMER ADVOCATE WITNESS CALLOW
(USPS/OCA-T500-12-21)


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 Office of the Consumer Advocate witness Callow: USPS/OCA-T500-12-21.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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January 16, 1998

USPS/OCA-T500-12. Please confirm that the classification of post offices by CAG is based upon post office revenue, rather than post office costs. If you do not confirm, please explain your answer fully and provide the source of your information.

USPS/OCA-T500-13. Please confirm that post office box fees are based (in part) on post office costs, but not on post office revenues. If you do not confirm, please explain your answer fully and provide the source of your information.

USPS/OCA-T500-14. Please refer to page 3, line 14, of your testimony, where you state that “the Postal Service’s current allocation methodology results in higher volume-variable unit box costs in smaller offices and lower unit costs in larger offices than if costs were allocated according to office location and size, as measured by CAG.”

- (a) Please explain how a CAG designation can be used to "measure" an office's location.
- (b) In what way does a CAG designation indicate an office's size?
- (c) Please confirm that an office's CAG designation does not provide information on the costs, number of employees, size of facility, or volume of incoming mail processed for that office. If you do not confirm, please explain your answer fully and the source of your information.

USPS/OCA-T500-15. Please refer to page 8, beginning at line 9, where you state that:

aside from average postal rental costs, other costs vary by CAG, and are higher in larger CAG offices. Two conditions produce this result. First, certain labor costs are not incurred in smaller post offices. While the salaries and benefits of mailhandlers are uniform nationwide, there are more mailhandlers in higher CAG offices, and proportionately more costs, than in lower offices. In fact, there are virtually no mailhandlers, and consequently almost no mailhandler costs, to be found in CAG F-L offices. Similarly, there are virtually no supervisors in offices CAG H or below. Hence, virtually no supervisor costs are incurred in such offices.

- (a) Is it your contention that window service costs related to post office box service are lower in small offices than in large ones because small offices have no supervisors or mail handlers?
- (b) Are you aware that clerks and postmasters in small offices often perform the same functions in small offices as mailhandlers and supervisors perform in larger offices? Please provide your understanding of how the functions performed by mailhandlers and supervisors in larger offices are performed in small offices.
- (c) Are you aware that postmasters in large offices generally do not perform window service activities related to post office box service? Please provide your understanding of how the functions of postmasters differ in large and small offices.

USPS/OCA-T500-16. Please refer to page 9, line 3, of your testimony, where you state that:

postmaster salaries and benefits are dependent, in part, on CAG and therefore vary by CAG. In Fiscal Year 1996, the average salary for postmasters in CAGs K-L was \$39,309, while the average salary for CAG A-G postmasters was \$55,220 -- 40 percent greater than the average salary of CAG K-L postmasters.

- (a) Please confirm that the example you have used reflects a difference in the average salaries of postmasters, not a difference in the total cost of Postmasters relating to post office box service. If you do not confirm, please explain your answer fully.
- (b) Assume that postmasters in smaller offices spend a greater proportion of their time on post office box functions than postmasters in large offices. Under this scenario would the additional hours spent on post office box functions by postmasters in smaller offices result in a larger portion of their salaries being spent on post office box operations than in larger offices where fewer or no postmaster hours are spent on post office box operations? If your answer is other than yes, please explain your answer fully.
- (c) Please refer to pages 9 and 10 of Exhibit USPS-5A (Testimony of Joe Alexandrovich). Please confirm that volume variable costs are allocated to post office box service for postmasters EAS 23 and below, but not for postmasters EAS 24 and above. If you do not confirm, please explain your answer fully.
- (d) Please confirm that postmasters EAS 23 and below are generally found in smaller post offices, and that postmasters EAS 24 and above are generally

found in larger post offices. If you do not confirm, please explain your answer fully.

USPS/OCA-T500-17. Please refer to page 14, line 8, of your testimony where you state:

I propose to restructure post office box fee groups by creating six new fee groups. Three new fee groups would be formed from the current Fee Group C and three from current Fee Group D, based upon CAG. CAG A-D post offices in Fee Groups C and D would become new Fee Groups C-I and D-I, respectively.

- (a) In determining that CAG A-D city delivery offices are analogous to and properly included in the same group as CAG A-D non-city delivery offices, have you examined the individual characteristics of any CAG A-D non-city delivery offices in this category and compared them to CAG A-D city delivery offices? If so, please present any conclusions you reached based on your examination.
- (b) Are you aware that CAG A-D non-city delivery offices may be very small offices in towns having a very large plant load mailer providing enough revenue to qualify the office for a CAG A-D classification?
- (c) To what extent would the type of CAG A-D non-city delivery office described in part (b) share cost characteristics with CAG A-D city delivery offices? Please explain.
- (d) Should small CAG A-D non-city delivery offices in towns having a very large plant load mailer have the same post office box fees as much larger CAG A-D city delivery offices? Please explain your answer fully.

- (e) How does your post office box fee proposal address the issue discussed in part (d)?

USPS/OCA-T500-18. Please refer to your testimony at page 37. Please confirm that your method for allocating space provision costs is equivalent to the method used by witness Lion. If you do not confirm, please describe the differences between your methodology and witness Lion's.

USPS/OCA-T500-19. Please refer to your testimony at page 48, lines 8 to 10.

Witness Lion defines "All Other" costs as "primarily labor costs for window service, and related supervisory and personnel costs." USPS-T-24 at 19, lines 21-22.

- (a) Please confirm that your estimate of volume variable mailhandler costs of \$12,039,000 assumes that mailhandler costs make up the same proportion of post office box Cost Segment 3 "All Other" post office box service costs as they make up of total Cost Segment 3 costs. If you do not confirm, please explain why not.
- (b) Why do you believe that mailhandlers would perform post office box service functions to the same extent they perform all other Cost Segment 3 functions?
- (c) On what basis do you believe that mailhandlers perform window service type functions?

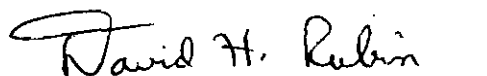
USPS/OCA-T500-20.

- (a) Please provide versions of Tables 18 and 19, Summary of Revenues and Costs, Proposed and New Fee Groups, TYBR and TYAR, (pages 63 and 64) – based on the cost methodology presented by witness Lion (USPS-T-24), i.e., without your proposed new allocation of costs.
- (b) *To what extent does the closer fit of costs you claim for your proposed fee groups depend on the changes you are proposing to witness Lion's cost methodology?*

USPS/OCA-T500-21. Refer to library reference OCA-LR-10, page 22. Please confirm that footnote [c] should read "[b] * Table 13E, Col. [b] by CAG." instead of "b / Table 13E, Col. [b] by CAG." If you do not confirm, please explain why not.

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.



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