

DOCKET SECTION

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

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POSTAL RATE AND FEE CHANGES, 1997 )  
\_\_\_\_\_) Docket No. R97-1

THE DIRECT MARKETING ASSOCIATION, INC.'S FIRST SET OF  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS  
DIRECTED TO UPS WITNESS SELLICK (DMA/UPS-T2-1-5)

Pursuant to Sections 25 and 26 of the Commission's Rules of Practice, the Direct Marketing Association, Inc. hereby submits the attached first set of interrogatories and requests for production of documents to UPS witness Sellick (DMA/UPS-T2-1-5). If the designated witness is unable to respond to this interrogatory, we request a response by some other qualified witness.

Respectfully submitted,

  
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Dana T. Ackerly II, Esq.  
David L. Meyer  
Michael D. Bergman  
COVINGTON & BURLING  
1201 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 662-5296

Counsel for the Direct Marketing  
Association, Inc.

January 16, 1998

**Witness Sellick (UPS-T-2)**

DMA/UPS-T2-1. Please refer to your direct testimony (UPS-T-2) at pages 4 through 10, where you state that Postal Service witness Degen's approach to distributing mail processing costs to classes and subclasses is "an improvement over past practice" because "it links the distribution of mixed mail and 'overhead' (not handling mail) costs with the operational characteristics of mail processing." Please refer also to Tr. 12/6218, where witness Degen states that he is unaware of any studies that test the validity of three assumptions underlying his testimony. Please refer as well to Tr. 12/6658, line 22, through Tr. 12/6666, line 19, where witness Degen confirms several assumptions that underlie his distribution method for mail processing costs and admits that he did not test any of these assumptions: "If I knew a way to do it, I would [have] proposed it by now."

- a. Please confirm that the assumptions which underlie an analysis are important. If not confirmed, please explain fully.
- b. Please confirm that you have performed no statistical analysis to test the validity of any of the assumptions underlying witness Degen's cost distribution methodology. If not confirmed, please explain fully:
  - i. which assumptions you tested;
  - ii. your methodology for testing each assumption; and
  - iii. the results of your analysis.

DMA/UPS-T2-2. Please refer to your direct testimony at page 10, line 3, through page 11, line 2, where you state that "mixed mail distributions now reflect actual data on the contents of items and containers."

- a. Please describe the "actual data" to which you are referring, including the types of items or containers to which such "data" relates.
- b. Except through analogy to the subclass composition of direct items, please explain fully whether you have any specific data on the subclass composition of (i) mixed items or (ii) mixed containers. If so, please summarize and provide a copy such data.

DMA/UPS-T2-3. Please refer to page 9, lines 6 through 11, of your direct testimony where you quote a Foster Associates report as stating, "the present undifferentiated allocation of equipment handling costs as 'overhead' needs review because, with automation (and, for that matter, mechanization) as distinct from manual processing, some mail classes are apparently more dependent on containerization and related handling equipment than others."

- a. Is it your understanding that the Foster Associates report takes the position that overhead and equipment handling costs should, in general, be higher at automated and mechanized operations than at manual operations? If your answer is other than an unqualified "yes," please explain fully.
- b. Please provide a copy of the Foster Associate's report Overhead and Subclass Cost Study, cited on page 9 of your direct testimony.

DMA/UPS-T2-4. Please refer to your direct testimony at page 8, line 14, through page 9, line 2, concerning the distribution of "not handling mail" tally costs.

- a. Please confirm that you have performed no quantitative analysis to determine whether the not handling costs in each of the 50 cost pools are caused by the mail being handled in each cost pool. If not confirmed, please summarize the results of your analysis and provide a copy of any report detailing your analysis.
- b. Please assume that not handling activities within cost pools are not caused by the handling activities within these pools. Please explain whether, in this situation, not handling costs should be distributed within these cost pools.

DMA/UPS-T2-5. Please refer to your direct testimony at page 12, note 12, where you state that "[p]ostal supervisors have a strong incentive for ensuring the accuracy of the workhours data, since different supervisors are responsible for different operations."

- a. Have you performed any quantitative analysis concerning the percentage of time postal mail processing employees are clocked into one operation but are performing another? If so, please summarize the results of your analysis and provide a copy of any report detailing your analysis.

- b. Have you performed any quantitative analysis concerning whether "the MODS activity at the operation group level and the employee's activity are consistent in the vast majority of cases"? (See Tr. 12/6154). If so, please summarize the results of your analysis and provide a copy of any report detailing your analysis.
  
- c. Assume that you were developing a mail processing cost distribution system. Would you distribute mixed mail and not handling costs based upon the operation into which an employee is clocked or based upon the operation that the employee is actually performing? Please explain your reasoning fully.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document in accordance with Rule 12 of the Commission's Rules of Practice, as modified by the Special Rules of Practice.

  
Michael D. Bergman

January 16, 1998