

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268B0001

SIX-DAY TO FIVE DAY STREET DELIVERY
AND RELATED SERVICE CHANGES, 2010

Docket No. N2010-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTION 7 OF CHAIRMAN'S INFORMATION REQUEST NO. 4
(June 3, 2010)

The United States Postal Service hereby provides its responses to Question 7 of Chairman's Information Request No. 4, dated May 20, 2010. Answers were sought no later than yesterday. Each question is stated verbatim and is followed by the response.

The responses are sponsored by witnesses in this docket as follows:

Questions 7.a. – b. -- Granholm (USPS-T-3)
Question 7.c. – d. – Colvin (USPT-T-7)

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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June 3, 2010

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 7

The Postal Service states that the supervisory workhours savings estimate is developed by identifying the number of Customer Service facilities large enough to support full supervisory schedules. See USPS-LR-N2010-1/3 at 7.

- (a) Please describe the type of facilities that would be considered a Customer Service facility; for example, would Delivery Distribution Units be considered a Customer Service facility?
- (b) Are the supervisory workhour savings for first-line supervisors only? If not, please explain.
- (c) The total supervisor workhour savings are valued using the productive hourly wage rate for Cost Segment 2. Cost segment 2 costs consist of the salaries and benefits costs for sub-accounts .103 (Supervisors) and sub-account .130 (Professional and Technical Personnel). Please explain why the salaries and benefits of sub-account .130 were included.
- (d) Of the total amount of supervisor workhour savings included in the proposal how many of the hours saved would be supervisors classified under the .102 sub-account and how many of the hours would be classified under the .130 sub-account.

RESPONSE:

- (a) The analysis included all delivery units that were levels EAS-22 and above, including DDUs.
- (b) The analysis assumed the elimination of 8 workhours of supervision each week in each of those offices, without further assumption regarding supervisor level.
- (c)-(d) Answered by witness Colvin.

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- (a) Please describe the type of facilities that would be considered a Customer Service facility; for example, would Delivery Distribution Units be considered a Customer Service facility?
- (b) Are the supervisory workhour savings for first-line supervisors only? If not, please explain.
- (c) The total supervisor workhour savings are valued using the productive hourly wage rate for Cost Segment 2. Cost segment 2 costs consist of the salaries and benefits costs for sub-accounts .103 (Supervisors) and sub-account .130 (Professional and Technical Personnel). Please explain why the salaries and benefits of sub-account .130 were included.
- (d) Of the total amount of supervisor workhour savings included in the proposal how many of the hours saved would be supervisors classified under the .102 sub-account and how many of the hours would be classified under the .130 sub-account.

RESPONSE:

(a)-(b) Answered by witness Granholm.

(c) As it turns out, including or excluding the salaries and benefits of sub-account .130 would essentially have no material impact on the calculation of the productive hourly rate used to estimate Cost Segment 2 savings. As indicated in my testimony, USPS-T-7, page 3 and in my Attachment 1, I apply FY 2009 productive hourly rates from Docket No. ACR2009 to the work hour savings estimates provided by the operational witness to calculate the labor cost savings. In most instances, as shown in my Attachment 1, page 1, these productive hourly rates were calculated at the cost segment level, which is to say, no attempt was made to identify more narrow productive hourly rates for smaller subsets of employees within cost segments. The exception was in the case of developing savings for city and rural carriers, where the bulk of the projected savings are found, and where productive hourly rates within cost segments were

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disaggregated, as shown in my Attachment 1, page 2. The projected Cost Segment 2 workhour savings, however, constitute only a small fraction of the projected workhour savings for carriers. For that reason, the possibility of disaggregating the Cost Segment 2 hourly rates into separate productive hourly rates for Supervisors, versus Professional and Technical Personnel, was, quite frankly, not even considered.

In response to this question, however, the potential impact from disaggregating the productive hourly rates for Cost Segment 2 was considered, and it appears that there is not much difference in the hourly costs for Supervisors versus Professional and Technical Personnel. The NATIONAL PAYROLL HOUR SUMMARY REPORT (NPHSR), PAY PERIOD-FY 20-2009, ENDING DATE 09-25-2009, pages 7 and 8, shows that Supervisors accounts for about 82 percent of the combined labor costs, and that there is about a one percent cost per work hour difference between Supervisors versus Professional and Technical Personnel.¹ Thus, because the pay difference between

¹ While the NPHSR cost per work hour data are not the same as the "productive hourly rates" provided in my Attachment 1, a comparison of the NPHSR salaries and benefits and workhours with data from the Reallocated Trial Balances and my Attachment 1 suggests the NPHSR costs per workhour do not differ much from productive hourly rates. Specifically NPHSR salaries and benefits for Supervisors (on page 8, line 43) and Professional and Technical Personnel (on page 7, line 43) are about 2-3 percent lower than those contained in the Docket No. ACR2009, USPS-FY09-5, Cost Segment and Components Reconciliation to Financial Statements and Account Reallocations (Reallocated Trial Balances) for Cost Segment 2. In addition, the total NPHSR workhours for Supervisors, and Professional and Technical Personnel from NPHSR, pages 7 and 8, are about 1 percent lower than that contained in my Attachment 1 for Cost Segment 2. Thus the one percent difference in hourly costs for Supervisors versus Professional and Technical Personnel based on the NPHSR should be indicative of the

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employees in the two Cost Segment 2 subaccounts is so small, the effect of using an aggregate of the two subaccounts, rather than subaccount .103 in isolation, would be expected to be comparably small. Moreover, since Supervisors costs are 82 percent of Cost Segment 2 costs, the difference between the aggregate productive hourly rate for Cost Segment 2 applied in my testimony, and the productive hourly rate for Supervisor alone, would likely be even less than the approximate one percent difference between the hourly costs for the two subaccounts.

d. As indicated in witness Granholm's response to part b, estimated Cost Segment 2 workhour savings were not necessarily identified with either subaccount. Even assuming, however, that most or all of the hours relate to supervisors (which is subaccount .103), as indicated in the above response to part c. of the question, the wage rate directly applicable to that subaccount does not appear to be materially different from the overall Cost Segment 2 wage rate used in my analysis.

differences in the productive hourly rates for these two sub-components of Cost Segment 2.