

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Mail Processing Network
Rationalization Service Changes, 2012

Docket No. N2012-1

PUBLIC REPRESENTATIVE'S FIRST SET
OF INTERROGATORIES AND REQUESTS FOR PRODUCTION TO
UNITED STATES POSTAL SERVICE WITNESS BRADLEY (PR/USPS-T-10: 1-6)

(December 21, 2011)

Pursuant to 39 CFR 3001.25 through 3001.28, the Public Representative hereby submits the following interrogatories and requests for production of documents. Due to availability of the Public Representative and staff to review Postal Service answers, and the press of other business over the coming holidays, the Public Representative proposes that the witness provide answers no later than January 12, 2012, rather than the customary 14 days. Definitions and instructions included with the Public Representative's First Set of Interrogatories and Requests for Production to United States Postal Service, PR/USPS-1-3 dated December 21, 2011, are hereby incorporated by reference.

The Public Representative encourages the Postal Service to discuss issues of burden, privilege, relevance, or question clarity informally to obviate the need for objections or motions practice.

Respectfully Submitted,

/s/ Christopher J. Laver

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Docket No. N2012-1

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PR/USPS-T-10-1

Please refer to page 6 of your testimony, which states “certain costs in individual cost pools...are institutional costs... associated with the establishment of an operation at a location not the workload in the operation...[consequently], a reduction in the total number of locations will reduce the total institutional cost for the associated cost pool. The transfer of workload to a smaller number of sites thus reduces the amount of institutional cost....”

- a. Would you agree that the volume variable cost of a mail processing cost pool is the variability of that cost pool multiplied by its accrued costs? If not, please explain.
- b. Would you also agree that the institutional cost of a mail processing cost pool is 1 minus the cost pool’s variability, multiplied by its accrued costs? If not, please explain.
- c. Would you agree that if there are two locations where the mail processing activity of a particular cost pool is performed, and all volume from one location is transferred to the other so that total volume of the cost pool is unchanged, as is its volume variability, then total institutional costs will also be unchanged? If not, please explain.
- d. More generally, would you agree that only the institutional costs of the activities or cost pools at a plant that are completely unrelated to volume, such as the time the Postmaster General spends visiting, would be eliminated if the plant was eliminated? If not, please explain.

PR/USPS-T-10-2

Please refer to page 11 of your testimony, which states that “the productivity for a mail processing operation after the workload transfer has taken place...is given by the ratio of the operation’s workload to its accrued hours.” Please answer the following questions about the term “accrued hours.”

- a. Would you agree that accrued mail processing hours in this case are the accumulated labor hours of employees clocked into the mail processing operation to which you refer? If not, please explain.
- b. Would it be at least as accurate to define productivity after the transfer of all volume from location A to location B, as the ratio of the mail processing operation’s volume, to the time it takes to process that volume? If not, please explain.
- c. Would it not be true in this case, that the volume variability of this mail processing cost pool will not change, because the volume variability for this cost pool is the average volume variability of the cost pool at all locations? If not, please explain.

- d. Wouldn't it also be true in this case, where total volume is unchanged, volume variability is unchanged, and labor hours utilized are unchanged, that productivity would remain unchanged as well? If not, please explain.

PR/USPS-T-10-3

Please assume that productivity improvements in letter processing come largely from the reduction in excess capacity in the incoming secondary network, made possible by the near elimination of outgoing secondary operations, as discussed by Rosenberg (USPS-T-3 at 11), Neri (USPS-T-4 at 27), and Smith (USPS-T-9 at 24). Would you agree that:

- if the throughput of a DBCS is 30,000 pieces per hour, was idle three hours during a shift, but the entire eight hours of labor was considered as part of accrued costs, the productivity of the DBCS would be $30,000 \times (5/8)$, or $150,000/8 = 18,750$ pieces per hour. If not, please explain.
- if network realignment allows the incoming DBCS to sort volume the entire time of an eight hour shift, it would sort $8 \times 30,000 = 240,000$ pieces in an 8 hour shift. In this case, DBCS productivity would be $240,000/8 = 30,000$ pieces per hour, and represent a 60 percent increase in productivity. If not, please explain.
- the appropriate formula for productivity improvement when the only change is due to the elimination of excess capacity, and there is a constant labor time "clocked-in" during the two capacity situations, is

$$p = \frac{V_f}{V_e} - 1$$

Where V_f = Volume produced at full capacity, and
 V_e = Volume produced where there is unused capacity.

PR/USPS-T-10-4

Please provide an electronic copy of the data and program used to make all or part of the following calculations:

- Cost before productivity gain in Table 4.
- Ratio of mail processing supervisory hours to mail processing hours being supervised.
- Labor Costs in LDCs 11-18 use in Table 6
- LDC 80 hours at inactive sites in Table 7
- In plant support hours by LDC 1 – 9 in Table 8

PR/USPS-T-10-5

Please refer to page 28 of your testimony, where you list the factors used to determine the change in indirect costs brought about by network realignment. Please provide a source or citation for each of the factors. The factors are:

- a. change in mail processing labor costs due to workload transfer,
- b. productivity gains,
- c. restructuring of management,
- d. restructuring of supervision, and
- e. restructuring of technical support.

PR/USPS-T-10-6

Please refer to Library Reference USPS-LR-22 Hwy Savings, PVS Closings.xls, which lists the finance numbers of the locations that will change from being a PVS site to one where former PVS mail is handled by Highway Contract Route transportation.

- a. Please explain what criteria were used to discontinue a PVS site.
- b. Please provide an electronic copy of the data and program(s) used to make this calculation/determination.
- c. Please also provide an electronic copy of the VMAS and any other source of data, as well as the program(s), used to calculate the cost of converting PVS sites to HCR Transportation.