

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS SMITH, USPS-T-13, TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION, AFL-CIO: (APWU/USPS-T13-1-2)
(July 26, 2006)

The United States Postal Service hereby provides the responses of witness Smith (USPS-T-13) to the following interrogatories of American Postal Workers Union, AFL-CIO: APWU/USPS-T13-1-2, filed on July 14, 2006.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 26, 2006

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO
APWU/USPS-T13-1**

APWU/USPS- T13-1 On page 33 of your testimony at 13-14, you state “I adjust labor costs for each cost pool for the percentage change in the costs projected between the base year and the test year. This approximates the wage escalation, mail volume changes by subclass, and cost reductions and other program adjustments that witness Waterbury has employed in developing test year before rates costs.”

- a) Does witness Waterbury provide these changes for each cost pool? If so, please indicate where those are shown in the testimony.
- b) If not, please describe the steps you take to determine each cost pool escalation factor in your calculations.

RESPONSE:

- a. No.
- b. This calculation is shown in USPS LR-L-52, page 50 (also spreadsheet MPPGBY08.xls, sheet “E”). First, the starting point is column 1 of this page, which contains the base year volume variable mail processing labor costs by cost pool from witness Van-Ty-Smith, USPS-T-11, Table 1. These costs total \$12,703,875,000. Second, column 4 provides estimates of the test year changes in volume variable labor costs due to Other Programs and Cost Reductions, as well as projected equipment deployments and removals. These estimates are made using the information from USPS LR-L-49, spreadsheet L49_R2006_8.xls, along with additional information from Engineering. The total impact of cost reductions and other programs for all cost pools is a savings of \$1,156,717,000. Third, a factor, 1.0782, is developed to reflect the increase in costs due to the rise in costs per workhour and volume levels and offsetting general productivity improvements. This factor is calculated so that the test year volume variable mail processing labor cost for all the

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cost pools sums to the total volume variable mail processing labor cost in the test year before rates rollforward provided by witness Waterbury, in USPS-10J, which is \$12,540,395,000. Fourth, this factor is applied to column 1 to obtain the wage/volume adjusted costs in column 3.

Combining column 3 (wage/volume adjusted costs) and column 4 (other programs and cost reductions) provides the test year volume variable mail processing labor costs by cost pool in column 6. Column 6 totals to \$12,540,395,000, consistent with the costs provided by witness Waterbury in USPS-10J. The cost ratios employed to adjust the costs by cost pool which you reference above (for use in the calculations of mail processing costs by shape in shp08usps.xls in USPS LR-L-53) are the ratio of test year to base year volume variable mail processing labor costs by cost pool (column 6 divided by column 1).

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APWU/USPS-T13-2**

APWU/USPS- T13-2 Please examine the response to APWU/USPS-T11-1. If these data had been generated by witness Van-Ty-Smith and provided to you, please confirm that they would generate the per piece volume variable costs for First Class metered letter-shaped mail (USPS version) for the FY '08 Test Year shown on the last line of the attached table, assuming the methodology you employed in R2005-1 was followed. If you can not confirm, please provide the corrected numbers and show how those numbers were generated.

RESPONSE:

Confirmed.

Test Year 2008 - USPS Version, with piggyback costs. Volume-Variable Mail Processing Costs – Letters	MODS 11 D/BCS	MODS 11 OCR/	MODS 11 AFSM100	MODS 12 FSM/1000	MODS 12 MECPARC	MODS 13 SPBS OTH	MODS 13 SPBSPRIO	MODS 13 1SACKS_M	MODS 13 1TRAYSRT
Subclass	MODS 11 D/BCS	MODS 11 OCR/	MODS 12 AFSM100	MODS 12 FSM/1000	MODS 13 MECPARC	MODS 13 SPBS OTH	MODS 13 SPBSPRIO	MODS 13 1SACKS_M	MODS 13 1TRAYSRT
1--First Class Letters Single Piece	2.60	0.68	0.03	0.01	0.00	0.02	0.01	0.01	0.20
2-2 First Class Letters Presort (Carrier Route included)	1.32	0.14	0.01	0.01	0.00	0.01	-	0.01	0.17
3--First Class Cards Single Piece	1.73	0.60	0.02	0.02	0.00	-	0.00	0.00	0.08
4-2 First Class Cards Presort (Carrier Route included)	0.83	0.10	0.01	0.00	0.00	0.00	-	0.00	0.06
8-1 IN COUNTY	0.00	-	0.01	0.00	0.00	-	-	0.00	0.00
8-2 OUT COUNTY	0.77	0.20	0.71	0.00	0.00	0.83	-	0.00	0.00
Periodicals Total	0.48	0.13	0.44	0.00	0.00	0.52	-	0.00	0.00
STANDARD ENH.CARRIER ROUTE	0.49	0.05	0.01	0.01	0.00	0.02	0.00	0.00	0.15
STANDARD REGULAR	1.18	0.16	0.04	0.01	0.00	0.02	0.00	0.01	0.18
PARCEL POST									
BOUND PRINTED MATTER									
MEDIA MAIL									
17--(B) LIBRARY									
Total									
Metered Mail Single Piece Letter	2.36	0.96	0.04	0.02	0.00	0.02	0.00	0.01	0.21
Test Year 2008 - USPS Version, with piggyback costs. Volume-Variable Mail Processing Costs – Letters	MODS 14 MANF	MODS 14 MANL	MODS 14 MANP	MODS 14 PRIORITY	MODS 15 LD15	MODS 17 1CANCEL	MODS 17 1DSPATCH	MODS 17 1FLATPRP	MODS 17 1MTRPREP

ATTACHMENT TO APWU/USPS-T13-2 QUESTION

Subclass	MODS 14 MANF	MODS 14 MANL	MODS 14 MANP	MODS 14 PRIORITY	MODS 15 LD15	MODS 17 1CANCEL	MODS 17 1DSPATCH	MODS 17 1FLATPRP	MODS 17 1MTRPREP
1--First Class Letters Single Piece	0.02	1.41	0.01	0.01	0.51	0.68	0.20	0.01	0.05
2-2 First Class Letters Presort (Carrier Route included)	0.00	0.26	0.00	0.00	0.07	0.02	0.08	0.00	0.01
3--First Class Cards Single Piece	0.03	2.45	0.00	0.01	0.32	0.47	0.09	0.02	0.02
4-2 First Class Cards Presort (Carrier Route included)	0.00	0.37	0.00	0.01	0.06	0.01	0.06	0.01	0.01
8-1 IN COUNTY	-	1.30	0.00	-	-	-	-	0.00	0.01
8-2 OUT COUNTY	0.38	1.27	0.00	0.14	-	-	-	0.28	0.05
Periodicals Total	0.24	1.22	0.00	0.09	-	-	-	0.17	0.03
STANDARD ENH.CARRIER ROUTE	0.00	0.07	0.00	0.00	0.01	0.03	0.03	0.01	0.00
STANDARD REGULAR	0.01	0.22	0.01	0.00	0.03	0.02	0.04	0.01	0.01
PARCEL POST									
BOUND PRINTED MATTER									
MEDIA MAIL									
17--(B) LIBRARY									
Total									
Metered Mail Single Piece Letter	0.02	1.34	0.00	0.01	0.34	0.37	0.21	0.00	0.08
Test Year 2008 - USPS Version, with piggyback costs.	MODS 17	MODS 17	MODS 17	MODS 17	MODS 17	MODS 17	MODS 17	MODS 17	MODS 18
Volume-Variable Mail Processing Costs – Letters	1OPBULK	1OPPREF	1OPTRANS	1PLATFRM	1POUCHNG	1PRESORT	1SACKS_H	1SCAN	BUSREPLY
Subclass	MODS 17 1OPBULK	MODS 17 1OPPREF	MODS 17 1OPTRANS	MODS 17 1PLATFRM	MODS 17 1POUCHNG	MODS 17 1PRESORT	MODS 17 1SACKS_H	MODS 17 1SCAN	MODS 18 BUSREPLY
1--First Class Letters Single Piece	0.04	0.27	0.09	1.00	0.03	0.01	0.02	0.06	0.02

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2-2 First Class Letters Presort (Carrier Route included)	0.02	0.18	0.03	0.38	0.01	0.03	0.01	0.03	0.00
3--First Class Cards Single Piece	0.02	0.14	0.03	0.79	0.02	0.00	0.00	0.07	0.04
4-2 First Class Cards Presort (Carrier Route included)	0.01	0.08	0.01	0.28	0.02	0.01	0.00	0.04	-
8-1 IN COUNTY	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.00
8-2 OUT COUNTY	0.00	0.31	0.01	1.36	0.03	0.00	0.02	0.01	0.13
Periodicals Total	0.00	0.19	0.00	0.93	0.02	0.00	0.01	0.00	0.08
STANDARD ENH.CARRIER ROUTE	0.10	0.10	0.03	0.28	0.01	0.03	0.03	0.00	0.00
STANDARD REGULAR	0.13	0.10	0.03	0.37	0.01	0.01	0.02	0.01	0.00

PARCEL POST

BOUND PRINTED MATTER

MEDIA MAIL

17--(B) LIBRARY

Total

Metered Mail Single Piece Letter	0.02	0.27	0.08	0.91	0.02	0.02	0.02	0.05	0.02
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Test Year 2008 - USPS Version, with piggyback costs.	MODS 18	MODS 18	MODS 18	MODS 18	MODS 18	MODS 19	MODS 49	MODS 79	MODS 99
Volume-Variable Mail Processing Costs – Letters	EXPRESS	MAILGRAM	REGISTRY	REWRAP	1EEQMT	INTL ISC	LD49	LD79	1SUPP_F1

Subclass	MODS 18	MODS 18	MODS 18	MODS 18	MODS 18	MODS 19	MODS 49	MODS 79	MODS 99
	EXPRESS	MAILGRAM	REGISTRY	REWRAP	1EEQMT	INTL ISC	LD49	LD79	1SUPP_F1

1--First Class Letters Single Piece	0.01	0.01	0.01	0.03	0.04	0.02	0.18	0.02	0.39
2-2 First Class Letters Presort (Carrier Route included)	0.00	0.00	0.00	0.00	0.01	0.01	0.18	0.21	0.15

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3--First Class Cards Single Piece	0.00	0.00	0.00	0.02	0.03	0.01	0.27	0.07	0.37
4-2 First Class Cards Presort (Carrier Route included)	-	0.00	-	0.01	0.06	0.00	0.18	0.09	0.11
8-1 IN COUNTY	0.00	0.00	0.00	0.00	0.01	-	0.00	-	0.10
8-2 OUT COUNTY	0.00	0.00	0.00	0.00	0.04	0.05	1.05	-	0.36
Periodicals Total	0.00	0.00	0.00	0.00	0.02	0.03	0.65	-	0.26
STANDARD ENH.CARRIER ROUTE	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.08	0.08
STANDARD REGULAR	0.00	0.00	0.00	0.00	0.02	0.00	0.02	0.14	0.13

PARCEL POST

BOUND PRINTED MATTER

MEDIA MAIL

17--(B) LIBRARY

Total

Metered Mail Single Piece Letter	0.00	0.00	0.01	0.01	0.05	0.02	0.22	0.02	0.36
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Test Year 2008 - USPS Version, with piggyback costs.

Volume-Variable Mail Processing Costs – Letters

Subclass

BMCS	BMCS	BMCS	BMCS	BMCS	BMCS	BMCS
NMO	OTHR	PLA	PSM	SPBS	SSM	
BMCS	BMCS	BMCS	BMCS	BMCS	BMCS	BMCS
NMO	OTHR	PLA	PSM	SPBS	SSM	
1--First Class Letters Single Piece	0.00	0.01	0.01	0.00	0.00	0.00
2-2 First Class Letters Presort (Carrier Route included)	-	0.00	0.00	-	-	-
3--First Class Cards Single Piece	-	-	-	-	-	-
4-2 First Class Cards Presort (Carrier Route included)	-	0.01	0.00	-	-	-

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8-1 IN COUNTY	-	0.03	0.02	-	-	-
8-2 OUT COUNTY	-	0.44	0.26	-	0.00	0.20
Periodicals Total	-	0.28	0.16	-	0.00	0.13
STANDARD ENH.CARRIER ROUTE	0.03	0.13	0.12	0.00	0.01	0.01
STANDARD REGULAR	0.01	0.10	0.11	0.00	0.01	0.03

PARCEL POST

BOUND PRINTED MATTER

MEDIA MAIL

17--(B) LIBRARY

Total

Metered Mail Single Piece Letter	-	0.00	0.00	-	0.00	0.00
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Test Year 2008 - USPS Version,
with piggyback costs.
Volume-Variable Mail Processing
Costs - Letters

PO/STA/BR								
ALLIED	AUTO/MEC	EXPRESS	MANF	MANL	MANP	MISC	REGISTRY	

Subclass	PO/STA/BR	Calculated Total								
	ALLIED	AUTO/MEC	EXPRESS	MANF	MANL	MANP	MISC	REGISTRY		
1--First Class Letters Single Piece	0.56	0.44	0.01	0.03	1.67	0.01	0.49	0.09		12.023
2-2 First Class Letters Presort (Carrier Route included)	0.16	0.23	0.00	0.00	0.56	0.01	0.25	0.01		4.587
3--First Class Cards Single Piece	0.31	0.31	0.00	0.03	1.56	0.00	0.48	0.02		10.461

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4-2 First Class Cards Presort (Carrier Route included)	0.10	0.08	0.00	0.00	0.33	-	0.18	0.02	3.143
8-1 IN COUNTY	-	-	-	-	-	-	-	-	1.735
8-2 OUT COUNTY	0.90	0.25	-	-	0.95	-	0.41	0.00	11.407
Periodicals Total	0.56	0.16	-	-	0.59	-	0.25	0.00	7.649
STANDARD ENH.CARRIER ROUTE	0.09	0.20	-	0.01	0.16	0.00	0.07	0.00	2.484
STANDARD REGULAR	0.13	0.17	0.00	0.01	0.37	0.01	0.15	0.00	4.059
									-
PARCEL POST									-
									-
BOUND PRINTED MATTER									-
									-
MEDIA MAIL									-
									-
17--(B) LIBRARY									-
									-
Total									-
Metered Mail Single Piece Letter	0.46	0.39	0.01	0.03	1.58	0.00	0.49	0.18	11.250

ATTACHMENT TO APWU/USPS-T13-2 QUESTION

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

Frank R. Heselton

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