

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

EVOLUTIONARY NETWORK DEVELOPMENT
SERVICE CHANGES, 2006

Docket No. N2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS WILLIAMS (OCA/USPS-T2-1)
(March 24, 2006)

The United States Postal Service hereby submits its responses to the following interrogatory of the Office of the Consumer Advocate, filed on March 6, 2006: OCA/USPS-T2-1. The interrogatory has been redirected from witness Williams to the Postal Service for response. The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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March 24, 2006

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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OCA/USPS-T2-1

Several government OMB directives discuss the measurement of costs and benefits resulting over time from the implementation of government programs. See, for instance, OMB Circular A-94 (Transmittal Memo No. 64), Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs, containing "...guidelines suggested for use in the internal planning of Executive Branch agencies." OMB Circular A-94 specifically applies to "...any analysis used to support Government decisions to initiate, renew, or expand programs or projects which would result in a series of measurable benefits or costs extending for three or more years into the future." Circular A-94 "...applies to all agencies of the Executive Branch of the Federal Government." See also, OMB Circular A-4 (To the Heads of Executive Agencies and Establishments, subject: Regulatory Analysis, September 17, 2004, regarding Federal regulatory analysis). The benefit-cost analysis in these publications discounts future benefits and future costs based on a designated interest rate. USPS Library Reference N2006-1/6 provides an example of the application of an Area Mail Processing analysis. In addition, your testimony at page 4, lines 9-22, discusses various savings and changes associated with the AMP process.

- a. Is this approach consistent with the benefit-cost approach? Please explain and provide comments in your answer.
- b. The AMP approach does not appear to consider explicitly discounted savings over time. Please explain whether this is the case.
- c. Given that the Postal Service faces a variety of contractual issues in adjusting personnel to workload, are all of the first year savings projected in AMP analyses achievable in the first year, or are these savings subsequently realized over time as personnel requirements are adjusted to normal business practices?

RESPONSE

- a. No. The Circular A-94 guidelines are *suggested* for use in the internal planning of Executive Branch agencies and are not mandatory. The Circular A-4 applies to agency regulation of the activity of others. The Postal Service has not incorporated the guidelines in either Circular for purposes of mail processing consolidation.
- b. This is the case.
- c. The savings are expected to be realized in the first year after implementation of a consolidation is complete.