

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO TO  
INTERROGATORIES OF PITNEY BOWES INC. (PB/USPS-T12-1-4)  
(June 14, 2006)

The United States Postal Service hereby provides the responses of Witness Bozzo (USPS-T-12) to the following interrogatories of Pitney Bowes Inc.: PB/USPS-T12-1-4, filed on May 30, 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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June 14, 2006

Response of United States Postal Service Witness A. Thomas Bozzo  
To Interrogatories of Pitney Bowes Inc.

PB/USPS-T12-1. Please confirm that the productivities in USPS-LR-L-48 and USPS-LR-L-110 do not include any hours in platform and dispatch activities. If you cannot confirm, please state specifically where platform and dispatch activities are included in the productivities in USPS-LR-L-48 and USPS-LR-L-110.

Response.

Confirmed if by "platform and dispatch activities," you mean the MODS operations assigned to the 1PLATFRM and 1DSPATCH cost pools, as defined by witness Van-Ty-Smith (see USPS-T-11 and LR-L-55, Section I).

Response of United States Postal Service Witness A. Thomas Bozzo  
To Interrogatories of Pitney Bowes Inc.

PB/USPS-T12-2. Please refer to page 14 of your testimony in R2005-1 which states:

Insofar as each piece fed must be brought to and dispatched from the operation, related container handlings (including handlings to send mail back through the operation for subsequent sorting passes) will also be proportional to TPF, as will “overhead” not-handling time that is driven by the handling workhours. Handling-mail time and associated overheads account for the vast bulk of workhours in sorting operations, so there is little in the way of causal avenues for workload measures other than TPF to enter the relationship between hours and mail processing “outputs.”

Is this still your opinion? If not, please explain why.

Response.

Yes, though note that the quoted passage arises in the course of a discussion of the merits of Prof. Robert’s choice of first handling pieces (FHP) over total handlings (TPF and TPH) as “output” measures for sorting operations. Note that the factors of “proportionality” are quantities to be estimated, and the statement does not imply any particular degree of volume variability—100 percent or otherwise. Also, given its purpose, the previous passage does not discuss non-volume factors. In my current testimony, please see pages 26-32, and especially page 29 (line 10) to page 30 (line 12):

In addition to the work time spent sorting the mail, a portion of the time in sorting operations is spent on “quasi-allied labor” activities. I use the term to denote activities, particularly moving mail and equipment into and out of the operations, that are similar to LDC 17 allied labor operations but which are carried out by employees clocked into the sorting operation. Again, the volume “driver” is TPF (or TPH)—which counts the number of pieces taken to or from the sorting operation—though the amount of container handling also depends on the containerization profile of the mail.

As witness McCrery notes (USPS-T-42, Section III), many destinations will receive one container per processing cycle, largely independent of volume; more generally, the degree of variability of

Response of United States Postal Service Witness A. Thomas Bozzo  
To Interrogatories of Pitney Bowes Inc.

container handling depends on the extent to which changes in volumes cause changes in the number of container handlings on the margin. Based on my discussions with witness McCrery, container handlings and other quasi-allied labor activities would be expected to exhibit greater volume-variability than setup and take-down time, but significantly less than 100 percent variability. In Docket No. R2000-1, it had been noted that container handling costs should exhibit "stair step" patterns reflecting the process of filling (or emptying) containers, which has little effect on container handling costs, and (occasionally) reaching points at which increments or decrements of handlings occur. Determining the degree to which the Postal Service operates on the "treads" (where costs would show low volume-variability) versus the "risers" (with locally high variability) is a matter for the econometric estimation to determine.

Response of United States Postal Service Witness A. Thomas Bozzo  
To Interrogatories of Pitney Bowes Inc.

PB/USPS-T12-3. Please refer to page [sic] 13-14 of your testimony in R2005-1 which states:

...increases in mailer worksharing activities will, in general, substitute for Postal Service TPF and TPH handlings, but not necessarily for FHP. Compared to an otherwise identical 3-digit presort piece, for instance, a 5-digit presort piece will avoid the incoming primary TPF and TPH, but not the incoming FHP count. The mailer's worksharing effort has reduced the needed Postal Service effort without being recognized in FHP.

Is this still your opinion? If not, please explain why.

Response.

Yes, the statement still reflects my opinions. Please see also my current testimony at page 25, lines 12-17, where I state:

[T]he FHP measure would not recognize a difference in a destination plant's sorting of a 3-digit presort piece versus a 5-digit presort piece, as FHP does not capture the sort stage(s) avoided by the 5-digit piece; TPH reflects the difference. The shortcomings of FHP are particularly significant as the substitution of mailer or presort bureau work (or "output") for Postal Service work, via the avoidance of certain sort stages, is the basis for presort cost avoidances.

Response of United States Postal Service Witness A. Thomas Bozzo  
To Interrogatories of Pitney Bowes Inc.

PB/USPS-T12-4. Please refer to pages 40 and 41 of your testimony which state:

...for allied labor and general support operations, it is possible to view cost causation as following a “piggyback” model, in which it the costs in support operations are viewed as driven by—and thus volume-variable to the same degree as—the “direct” operations.

Is this still your opinion? If not, please explain why.

Response.

I assume you are referring to pages 40-41 of my testimony from Docket No.

R2005-1. The statement is still my opinion. Please see my current testimony at page 84, lines 5-9, where the same passage appears.

## 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.

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