

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF UNITED PARCEL SERVICE (UPS/USPS-1-3) (July 27, 2006)

The United States Postal Service hereby provides its institutional responses to the following interrogatories of United Parcel Service, filed on July 13, 2006:

UPS/USPS-1-3

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORY OF UNITED PARCEL SERVICE

**UPS/USPS-1.** The Postal Service indicates that there are several tiers of discounted rates available under its contract with FedEx that are dependent on the amount of volume tendered, and that the Postal Service contracts for capacity above the FedEx contract minimums approximately every 12 to 18 months via addenda to the FedEx contract.

(a) Are the discounted rates locked in when the Postal Service contracts for capacity above the minimums through contract addenda?

(b) If the answer to (a) is no, provide a detailed description of the periods of time over which volume is measured for purposes of establishing the Postal Service's eligibility for discounts.

**RESPONSE:**

(a) While the Postal Service and Federal Express are in the process of negotiating an addendum, discounted rates are part of the negotiations, and would not be considered to be "locked in" until the addendum is finalized. Once an addendum has been finalized, the Postal Service and Federal Express have agreed to a specific discount rate structure. During the time period when that addendum is in effect, the Postal Service might contract for additional capacity with Federal Express and the discounted rate structure set forth in the addendum could be considered to be "locked in."

(b) The Postal Service calculates volumes over a "schedule period" time interval, which is typically one month in length and is a subset of a "schedule block."

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**UPS/USPS-2.** Indicate whether, over the course of its contract with the Postal Service, FedEx has ever had to do any of the following in order to accommodate changes in the volume of mail tendered by the Postal Service:

(a) alter (either increase or decrease) the number of flights scheduled along a specific route;

(b) alter (either increase or decrease) the carrying capacity of the aircraft scheduled along a specific route; or

(c) make any other adjustments to its network.

(d) For any of the answers to (a), (b), or (c) that are yes, provide data indicating the frequency with which such changes have occurred since the final quarter of FY2001.

**RESPONSE:**

(a)-(c) FedEx does not share this information with the Postal Service.

(d) N/A

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**UPS/USPS-3.** Do capacity constraints ever limit the amount of mail that the Postal Service can load onto a specific Day Turn network flight? If so, provide data indicating the frequency with which such capacity constraints are binding, and describe in detail how decisions are made regarding which mail will be loaded onto the capacity constrained flight, and which mail will be held for later transport. In particular, state whether Priority Mail will be loaded before First Class Mail.

**RESPONSE:**

The Postal Service and FedEx agree, in advance, to a specific capacity that will apply to mail carried on a specific route on a specific day. If the Postal Service tenders a greater amount of capacity on that day, the FedEx contract provides that FedEx will accept mail up to a certain percentage above the agreed upon specific capacity. If FedEx has the ability to handle even more mail on that route on that day, it might agree to accept even more mail.

There have been occasions when the Postal Service has had an unexpectedly high amount of mail on a given day, and was not able to load all of it onto a specific FedEx flight. When this situation has occurred, containers of mail that were mixed usually were routed along another mode of transportation (sometimes ground transportation to a FedEx hub that allowed the mail to arrive in time to catch the expected outgoing flight from the hub).

Because the mail containers are mixed, there is no preference for Priority Mail or First-Class Mail when this situation occurs. Usually, the situation is comparable to LIFO (Last container In - First container Out). The Postal Service has not collected data as to the number of times this situation has occurred.

## **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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July 27, 2006  
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