

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R2000-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY UPS/USPS-T34-3(a-d)
REDIRECTED FROM WITNESS ROBINSON

The United States Postal Service hereby provides its response to the following interrogatory of the United Parcel Service: UPS/USPS-T34-3(a-d), filed on February 14, 2000. This question was redirected from witness Robinson. Objections were filed to interrogatories UPS/USPS-T34-3(e) and 4.

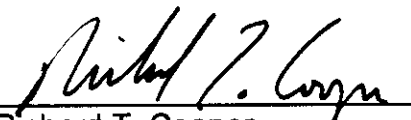
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Richard T. Cooper

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February 28, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OR UNITED PARCEL SERVICE
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UPS/USPS-T34-3. Please refer to pages 12 through 15 of your testimony, where you discuss the contract between Emery Worldwide Airlines ("Emery") and the Postal Service pursuant to which Emery provides mail processing, surface transportation, and air transportation for Priority Mail. Refer also to page 2 of Attachment A, an analysts report discussing the Postal Service's contract with Emery for Priority Mail services, which indicates that beginning in the third quarter of 1999 Emery "began being paid a provisional rate for its services." Attachment A, CNF Transportation Reports Third Consecutive Year of Record Earnings; Net Income Up 39 Percent in 1999, at 2 (visited Feb. 1, 2000)
<<http://www.businesswire.com/webbox/bw.013100/200310630.htm>>.

(a) What is the amount of the "provisional rate" the Postal Service is now paying Emery?

(b) How does the provisional rate compare to the rate or rates paid in Fiscal Year 1998?

(c) Is the provisional rate reflected in the Postal Service's Test Year estimate of Priority Mail costs?

(d) To what extent does the Postal Service's estimate of Test Year 2001 costs for the Emery contract reflect any change or changes in rate under the contract from Fiscal Year 1998 to the rate expected to be paid in the test year?

RESPONSE:

(a-c): Contrary to the question's premise, the Postal Service is not now paying Emery, and did not begin to pay Emery in the third quarter of 1999, a "provisional" rate or rates for Emery's contractual network operation services for Priority Mail (which include the mail processing and surface and air transportation services to which the interrogatory refers). The Postal Service is instead paying Emery the amounts due under the Postal Service's contract with Emery for its services.

Since these PMPC contract rates for Emery's various network operation services diminish over the life of the contract, and the USPS is paying Emery in accordance with the applicable contract rates, the rates the Postal Service is now paying in the present fiscal year (2000) are lower than those the Postal Service was obligated to pay, and did pay, in Fiscal Year 1998. The actual contract rates, which have been paid, are being

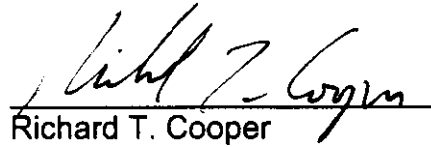
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paid, or are required to be paid in the subsequent years of the contract, have been taken into account in the Postal Service's Test Year estimate of Priority Mail costs.

(d) Rate reductions built into the contract at its inception, between Fiscal Year 1998 and the Test Year, were fully taken into account.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Richard T. Cooper

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