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

POSTAL RATE AND FEE CHANGES, 2000	Docket No. R2000–1

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA (MPA/USPS–14-46)

The United States Postal Service hereby provides its responses to the following interrogatories of Magazine Publishers of America: MPA/USPS–14-46, filed on March 21, 2000. Objections to interrogatories MPA/USPS–17(d) (partial), 19 (partial), and 40(c) were filed on March 31, 2000, and objections to 21, 36(c), and 37(c) were filed on April 5, 2000.

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
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MPA/USPS- 14. Please provide, for each purchased highway account number and in total, the best available estimate of the number and cost of highway contracts that in BY98 provided drayage of trailers (a) to railroad yards, and, (b) from railroad yards. Please provide separate estimates for power-only vs. other contracts. In machine-readable form, please identify all such contracts.

RESPONSE

Drayage costs are not separately identified in the accounting system. Drayage is provided as part of freight rail and Amtrak service by the rail road involved. Also, rail stations can be incidental stops on highway contracts. The cost of highway contracts is based on the cost of moving to and from all stops on the routings covered by the contract. The cost of movements to and from rail stations is not separately identifiable.

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MPA/USPS-15. Please confirm that the duration of a representative USPS highway contract is four (4) years. If not confirmed, please provide the correct length of duration. Please provide copies of any studies or analyses underlying the practice of the Postal Service of engaging in contracts of this duration.

RESPONSE

The standard contract term for regular service contracts is four years. There have been no studies specifically focused on the four-year contract term.

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MPA/USPS-16. Please provide, for each purchased highway account number and in total, the best available estimate of the changes in cost that will occur upon the expiration or resolicitation of the contracts in effect in BY98.

RESPONSE

Attached is a 1998 Renewal Report from Headquarters Purchasing. This provides the change in contract costs in total (see the line "Net Difference").

More detailed information is not available.

ATTACHMENT MPA/USPS - 16 PAGE 1 OF 1

A. Renewal Contracts	Total 1998
1. Total contracts expiring during 1999	3,911
2. Total contracts renewed 1999(include short-term renewals)	3,136
3. Total contracts not renewed (A. 1 less A. 2)	775
B. Non-Renewal contracts (Reasons)	
1. Contractor's choice (retire, other commitments, etc.)	353
2. Poor performance	28
3. Service no longer needed as stated	127
4. Ethical conduct Rulings (e.g, related to postal employee)	5
5. Debarred/Nonresponsible/otherwise Unqualified	11
6. Agreement not reached (Between USPS and contractors)	77
7. Non renewable temporary contracts	40
8. Routes consolidated with another route	17
9. Routes terminated prior to term expiration	57
10. Other (specify on additional sheet)	60
11. Total nonrenewals (should be the same as A.3)	775
C. Reprocured and Additions	
1. Total contracts reprocured (include emergency service)	544
2. Contracts added due to route split-child	53
3. Total contracts awarded to existing contractors	351
D. Short-term renewal contracts (Reasons)	
1. For operational reasons (e.g renewal cycle, DPS)	20
2. Due to pending PVS cost comparisons	87
3. Due to pending Ethical Rulings	0
4. Other (Specify at bottom or on additional sheet, if necessary)	20
5. Total short -term contracts	127
E. Cost and Mileage data	
1. Total dollar value of renewed contracts on term expiration date	$241,123,748.73
2. Total dollar of non-renewed contracts on term expiration date	$48,639,108.33
Sub-Total	$314,689,557.06
3. Total dollar value renewed contracts on term begin date	$282,347,776.95
4. Total dollar of reprocured contracts on term begin date	$44,035,491.40
5. Total dollar value of route split children on term begin date	$4,758,910.02
Sub-Total	$331,142,178.37
Net Difference	$16,452,621.31
6. Total mileage of contracts as of term expiration date (include reprocure	268,741,717.9
7. Total mileage of contracts as of term begin date (include reprocured)	274,338,589.7
Net Difference	5,596,871.8

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MPA/USPS- 17. Please describe and provide documentation for each of the following:

a. analytical tools, including computer models, used to ensure that overall purchased transportation costs are minimized, subject to applicable service requirements and operating constraints;

b. management information systems used to report and control purchased transportation costs;

C. studies of unutilized or under-utilized transportation capacity; and

d. projections of the impact of USPS market and operating changes on transportation requirements during any portion of the period 1994-2002.

RESPONSE

a and b. The Postal Service has no customized computer or analytical models that it uses in transportation cost management. Analyses are performed on an as needed basis using whatever tools are appropriate to the task. Management information systems used to report costs include the Postal Service accounting and account payable systems, and HCSS, the Highway Contract Support System.

c. The Postal Service has recently begun a study of transportation utilization. It is expected that this study will lead to reductions in unutilized capacity.

d. A partial objection was filed on March 31, 2000. In order to meet service requirements, the number of transportation contracts has increased. Unit cost have been driven upward by Department of Labor wage adjustments and fuel cost increases. No projections are available.

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MPA/USPS- 18. Please describe the circumstances under which a vehicle moving pursuant to a highway contract could make a scheduled stop at a postal facility (other than the starting point of the trip) without unloading mail.

RESPONSE

Whenever a contract calls for a scheduled stop, the normal operational procedure calls for the contractor to perform the scheduled stop. Other than unloading mail, a contractor can unload empty equipment, or pick up mail or empty equipment.

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MPA/USPS- 19. Please provide a copy of the contract(s) under which the Postal Service procures mail-related transportation from Amtrak.

RESPONSE

A partial objection was filed on March 31, 2000. A copy of the contract language will be filed as Library Reference I-266, excluding volume- and cost-related information.

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MPA/USPS-20. Please itemize and describe the criteria used by the Postal Service to establish capacity requirements on individual Amtrak segments. Please state the average frequency with which these capacity requirements are typically adjusted.

RESPONSE

Capacity requirements are based on anticipated loads between facilities near Amtrak operating corridors. These loads are based on the experience of local logistics personnel in cooperation with Amtrak, as are the capacity requirements that result from them. The Postal Service does not have a measure of the typical frequency with which capacity requirements are adjusted. Since Periodicals mail is the majority of mail moved on Amtrak and since Periodicals volume growth has been stagnant for years, one can assume that variations in requirements are relatively infrequent.

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MPA/USPS-21. For each Amtrak segment, please provide all capacity adjustments, including the date of the adjustment and before/after values of linear feet and cost, occurring between FY96 and BY98 inclusive.

RESPONSE

An objection was filed on April 5, 2000.

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MPA/USPS-22. For FY96, FY97 and FY98, please provide the best available estimate of the costs to the Postal Service of movements made using 'Roadrailers" on Amtrak. Please include payments to Amtrak, drayage costs, trailer costs and any other relevant costs. Please provide the amount of such costs accruing in each applicable USPS account.

RESPONSE

Roadrailer costs accrue to the same Amtrak cost accounts as other Amtrak expenses, 53142, 53144, and 53165. Additional information on the availability of Roadrailer-related payments is still being researched. Additional information responsive to this interrogatory will be provided if it is available.

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MPA/USPS-23. Please provide the best available estimates of the proportion of FY98 Amtrak Roadrailer costs (see MPA/USPS-22, above) in the following categories:

a. Movements diverted from intra-SCF highway transportation.
b. Movements diverted from inter-SCF highway transportation.
C. Movements diverted from intra-BMC highway transportation.
d. Movements diverted from inter-BMC highway transportation.
e. Movements diverted from freight rail transportation.
f. Movements diverted from conventional Amtrak service.
g. Movements diverted from commercial air transportation.
h. Movements diverted from network air transportation.
i. Other (please describe).

RESPONSE

The requested information is not available.

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MPA/USPS-24. If the proportion reported in 23(e) is not zero, please state the fraction of this traffic that resulted from transitory rail service problems, such as those occurring in 1997 and 1998 in the wake of the merger between Union Pacific and Southern Pacific railroads.

RESPONSE

The Postal Service did not move volume from Union Pacific and Southern Pacific to Amtrak in 1997 or 1998.

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MPA/USPS-25. Please provide a physical description, including weight and dimensions, of all types of containers used to carry mail on purchased transportation contract movements, including the 3910A Amtrak container.

RESPONSE

The Mail Transport Equipment Handbook, PO-502 contains available

information. It will be filed as Library Reference I-267.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-26. Please describe the service or operational factors that cause periodicals to require Amtrak service as opposed to highway or freight rail.

RESPONSE

Amtrak is used to transport Periodicals when economical, service-responsive, long-haul highway transportation and freight rail service are not an option. The Postal Service chooses transportation modes on the basis of value, i.e., a combination of service and price. Amtrak is a less than truckload network. In certain situations when less than a full trailer load of preferential mail needs to be moved, Amtrak may provide the Postal Service with the best value.

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MPA/USPS-27. Please provide the best available estimate of the proportion of periodicals moving on Amtrak that originates at the following types of facilities:

a. BMC's;
b. SCF's;
c. mailer facilities;
d. other (please describe).

RESPONSE

The requested information is not available.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-28. Please identify and describe factors other than fluctuations in mail volume that prevent full utilization of cubic capacity in purchased surface transportation.

RESPONSE

The answer depends on what is meant by "full utilization of cubic capacity". Although there are exceptions, generally speaking, bedloaded mail is too heavy to fill the cubic capacity of a trailer without exceeding vehicular weight limits. Even in those circumstances when this is not the case, general safety concerns and OSHA regulations do not permit the random floor to ceiling loading of mail. Heavier pieces need to be near the floor with lightweight pieces on top. As a practical matter, vehicles cannot always be loaded in the type of meticulous fashion necessary to fill a trailer without incurring substantial labor costs.

In today's operating environment, most mail is containerized or palletized. The height of a pallet is limited by safety and load-integrity considerations to 72 inches. Also, stacks of pallets are limited by these same considerations. In addition, stacking pallets sometimes creates the possibility of the mail being damaged by shifting of upper pallets. This, of course, damages the mail, which is unacceptable.

Generally speaking, once a pallet occupies floor space, additional mail (whether containerized or not) is usually not loaded on top of it. This allows for the prompt unloading of the pallet at destination.

The height of pallet boxes such as postal paks is limited by the need for the top of the box to clear the opening of the dock door or the rear of the vehicle. Thus, it is impracticable to use a pallet box that is the same height as the interior

of the trailer. Similarly, containers heights are limited by the clearance of the back of the vehicle.

Each facility on a route uses an uncertain amount of floor space. Downstream facilities do not intermix their loads with upstream facilities. Mail already loaded on a vehicle is generally not unloaded at each stop to maximize cube utilization. Doing so would incur substantial labor costs as well as possibly risk delaying the mail. Instead, loads are added to the rear of the vehicle after it has been unloaded at a facility.

Within containers themselves, the amount of usable space is limited by numerous factors. Typically, a container is filled at the output of mail processing operations. At the discretion of the mail processing personnel loading a container, a container is declared full when it is too heavy to maneuver safely. Also, a container or pallet box may be sent to the platform for loading in order to meet the dispatch time for a vehicle before it is filled to capacity.

Once floor space is occupied upstream, the vehicle load generally not reconfigured. If one facility uses only part of the vertical space of the vehicle, it remains partly used until that container, pallet, or mail is unloaded.

Empty equipment is often transported on a vehicle and this may be regarded as unused capacity (as it is in TRACS, for example), but the space is occupied and generally unavailable for mail

Vehicle size is often constrained by the dimensions of loading areas, particularly at old facilities and in older cities, and maximum weight restrictions on certain roads.

In addition, to all the above, generally speaking, vehicle capacity and routings are arranged to handle expected weekly volume peaks. Unpredictable day to day fluctuations in volumes mean that, in the context of mail processing and transportation operations, some excess capacity is unavoidable. It is impractical to contract for different vehicle sizes for different days of the week. Also, the cubic capacity of a vehicle is generally regarded as being inexpensive relative to the cost of adding extra trips. For this reason, it makes economic sense to buy a large vehicle to avoid paying for additional trips.

The last scheduled trip of the day is referred to as the dispatch of value. This trip, critical to meeting downstream processing and delivery schedules, often leaves less than full.

In a sense, less than full trips are the result of meeting customer service expectations, resulting in the situations described above.

Additional discussion of this issue was provided (most recently) in the rebuttal testimonies of Postal Service witnesses Young (Docket No. R97-1, vol. 35 at 18851-18944) and Pickett (Docket No. R97-1, vol. 35 at 18757 - 17848) in Docket No. R97-1.

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MPA/USPS-29. Please identify, describe and estimate the likely impact of any current or planned Postal Service initiatives to increase the utilization of cubic capacity in purchased surface transportation.

RESPONSE

Increases in vehicle utilization will generally tend to reduce costs. By how much depends on the cost of the transportation utilized, the changes made to increase utilization (i.e., whether utilization is increase by changing the size of the vehicle, the number of trips, or mileage; or some combination of the three). No estimates are available.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-30. Please identify, describe and estimate the likely impact of any current or planned Postal Service initiatives to reduce purchased surface transportation costs that were not provided in the response to (29).

RESPONSE

Current management initiatives along these lines have targeted $100 million in future transportation cost reduction. $72 million is targeted at reducing highway contract miles traveled; $25 million is targeted at reducing fuel expenses, and $3 million is targeted at reducing the cost of trailer leasing.

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MPA/USPS-31. Please identify, describe and estimate the changes in purchased transportation costs that are projected to result from:

a. Planned changes in the use of Amtrak; and,

b. Changes in freight rail service availability and rates in the region formerly served by Conrail.

RESPONSE

a. There are no planned changes in the use of Amtrak.

b. The cost of transportation typically used to transport products moving on rail is likely to increase. There are several factors driving this increased cost. The ontime performance provided by rail carriers has declined and this has necessitated a transfer of volumes from rail to higher cost HCR contracts.

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MPA/USPS-32. Please provide, for each purchased highway account number and in total, the best available estimate of the number and annual cost of highway contracts that provide plant load service.

RESPONSE

Plant load service is recorded in accounts 53134 (highway annual rate) and 53135 (highway trip rate). In the base year, the accrued expense in these accounts is $8.582 million and $37.103 million, respectively. The total highway plant load expense is $45.685 million. According to Postal Service Library Reference I-84 (the HCSS extract database compiled in August 1998), there were 113 contracts (i.e., HCRIDs) under account 53134 and 411 contracts under account 53135.

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MPA/USPS-33. For trailers owned or leased by USPS in BY98, please provide the best available estimates of the proportions of time such trailers were utilized in the following types of line haul service:

a. freight rail;
b. intra-BMC highway contract;
c. inter-BMC highway contract;
d. inter-P&DC/cluster/area highway contract;
e. intra-P&DC/CSD highway contract;
f. plant load contract;
g. postal vehicle service; and
h. other (itemize and describe).

RESPONSE

This information is not available.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-34. Please provide the best available estimate of the proportion of USPS highway transportation requirements that is met through use of 28' trailers. Please provide copies of any studies or other analyses that measure the operational and/or cost impacts that would be associated with more widespread use by the Postal service of 28' trailers.

RESPONSE

The question is unclear. The answer depends on your definition of "highway transportation requirements". There are approximately 223 28-foot trailers in the system, which accounts for about 3 percent of all highway trailers.

No such studies or analyses exist.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-35. Please provide the best available estimate of the proportion of FY98 USPS inter-BMC purchased highway cost that represents trailers diverted from freight rail due to transitory rail service problems, such as those occurring in 1997 and 1998 in the wake of the merger between Union Pacific and Southern Pacific railroads.

RESPONSE

No volume was diverted to inter-BMC highway due to transitory rail service problems. Whatever diversion that did occur was to another rail carrier.

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MPA/USPS-36. Reference is made to highway transportation contracts wherein service is purchased on a per-trip (as opposed to regularly scheduled) basis:

a. Please describe the types of circumstances under which per-trip contracts are utilized.

b. Please provide copies of any contracting guidelines promulgated by USPS regarding use of per-trip highway contracts.

c. In machine-readable form, please identify each such highway contract, and state the actual payments made under each such contract in BY98.

RESPONSE

(a) Per trip contracts are used in those instances when requirements do not warrant a fixed recurring schedule.

(b) Guidelines for each contract are based on the requirements presented to Postal Service Purchasing.

(c) An objection was filed on April 5, 2000.

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MPA/USPS-37. Reference is made to highway transportation contracts wherein service is purchased on a one-way (as opposed to round trip) basis:

a. Please describe the types of circumstances under which one-way contracts are utilized.

b. Please provide copies of any contracting guidelines promulgated by USPS regarding use of one-way highway contracts.

c. In machine-readable form, please identify each such highway contract.

RESPONSE

a) One way contracts are used in those instances where volume projections do not warrant round-trip transportation.

b) Guidelines for each contract are based on the requirements presented to Postal Service Purchasing.

c) An objection was filed on April 5, 2000.

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MPA/USPS-38. Please confirm that all leasing and ownership costs associated with USPS-supplied trailers accrue in account number 53136. If not confirmed, please provide the best available estimate of the magnitude of such costs, and indicate the account(s) in which they accrue.

RESPONSE

Not confirmed. 53136 contains only those expenses associated with intra-BMC mail service. Account 53191 includes expenses associated with leased trailer movements. Based on year-to-date figures, approximately 26 percent of this account is incurred with leased trailer expenses providing service to the Mail Transport Equipment Service Centers.

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MPA/USPS- 39. Please refer to USPS-LR-I-52, at page 26. Please confirm that the "NASS File" (LAXSTN.PS272D13(O)) contains the sequence of facilities served at the stops made on each purchased highway transportation contract. If not confirmed, please provide this information in machine-readable form.

RESPONSE

Confirmed.

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MPA/USPS-40. For each freight railroad providing mail-related transportation to the Postal Service in BY98, please provide the following:

a. total costs accrued in USPS rail transportation accounts in BY98. (If these costs do not sum to $199.55 million (= Railroad Transportation Subcomponent Subtotal less accounts 53142 and 53144, as shown on page 77 of USPS-LR-I-I), please explain.);

b. documentation of any and all volume incentive rate, discount or credit terms in effect for transportation provided to the Postal Service in BY98;

c. the number of mail-related van movements, total costs, base rates and lowest achieved volume incentive rates by O-D pair served in BY98.

RESPONSE

a.

Railroad	**Expense**
Santa Fe	$25,368,309.05
Burlington Northern	35,301,321.30
CSX	20,668,829.37
Conrail	108,119,323.22
Florida East Coast	1,689,575.85
Iowa Interstate	818,775.82
Illinois Central	2,017,025.10
Norfolk Southern	2,960,777.56
Southern Pacific	861,341.79
Union Pacific	2,209,145.08
Total	$200,014,424.14
Postal Fiscal Year	$200,040,473.68
Variance	**$26,049.54**

The difference between $199.55 million and the $200.040 million is the result of the former being a Government Fiscal Year expense (October 1, 1997 to September 30, 1998) while the latter (and the detail above it) are Postal Fiscal Year (September 13, 1997 through September 11, 1998) expenses. The expenses by carrier survey is for actual rail services provided (such as linehaul and terminal handling); the 0.01 percent variance ($26,049.54) represents

payments to third parties for miscellaneous damages, paid under the rail accounts

b. There are no such rates, discounts, or terms.

c. An objection was filed on March 31, 2000.

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MPA/USPS-41. For mail transportation service procured by the Postal Service from freight railroads, please provide the average cost per cubic foot-mile by railroad in FY96 and BY98.

RESPONSE

The requested information is not available.

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MPA/USPS-42. Please state the proportion of costs accruing in account number 53192 that reflect freight rail movements of empty USPS-owned or -leased trailers. Please state the proportion of costs accruing in account number 53192 that reflects freight rail movements of trailers carrying empty mail containers.

RESPONSE

The standard operating procedure of the Postal Service is not to ship empty rail vans. Postal Service policy is to ship rail vans containing either mail or empty mail transport equipment (MTE). Account 53192 contains expenses associated with moving empty MTE only.

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MPA/USPS-43. Please state the definition of account number 53624. Please provide the accrued cost for this account in BY98.

RESPONSE

Account 53624 is used to record the expense of all highway contract service created for the transportation of Christmas mail between BMCs. The accrued cost in this account is $0 for BY 1998. Actual Christmas-related expenses are substantial and are incurred under amendments to regular and emergency contracts and through exceptional service. These costs accrue to the regular and emergency service accounts, or to the appropriate exceptional service account.

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MPA/USPS-44. Please state the number of cubic feet associated with each linear foot of capacity procured on Amtrak.

RESPONSE

Amtrak service can be provided in a variety of equipment. Based on dimensions supplied by Amtrak the following calculations were made. A linear foot in a 1400 series material handling car translates to 8'11 x 8'9 7/16"X 1' = 78.3 cubic feet. A linear foot in a 1500 series car converts to 8'11 x 7'10" x 1' = 69.8 cubic feet. In a 70000 series Express car, a linear foot converts to 9'4" x 10'5" x 1' = 97.2 cubic feet. In a 71000 series express car, it is 10'2" x 9'4" x 1' = 94.9 cubic feet. In Roadrailers, a linear foot is 8'9.5" x 8'2" x 1' = 71.8 cubic feet. Baggage cars are sometimes used as well. The approximate cubic feet in a linear foot of baggage car are approximately (13' 6" less 55") x 10' x 1' = 89.2 cubic feet.

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MPA/USPS-45. Please describe changes in the procedures used to manage surface transportation contracting that have occurred since FY96.

RESPONSE

Dating back to 1996, the Postal Service has made a number of improvements in the transportation purchasing process and substantial investment in staff development. Examples include:

(1) The publication of the Purchasing Manual dated January 1997.

(2) Implementation of process management initiatives designed to reduce cycle time and stem cost growth.

(3) Recently the Postal Service started to identifying opportunities to implement supply chain management techniques in the purchasing process.

Although the past few years have resulted in an investment of time and resources, we expect to achieve some process improvements, cycle time reductions, and possible unit cost (rate per mile) reductions.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-46. Please describe the data system(s) relied upon by the Postal Service to measure the utilization of space purchased on each Amtrak segment. Please provide this information in machine-readable form for BY98.

RESPONSE

The Postal Service uses PS Form 5366, a paper form, to record Amtrak activity.

This information is not stored electronically.

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.

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April 6, 2000