

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, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF  
UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS BRADLEY  
(UPS/USPS-T18-2-4)

The United States Postal Service hereby provides its responses to the following interrogatories of United Parcel Service: UPS/USPS-T18-2-4, filed on March 23, 2000, and redirected from witness Bradley.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 6, 2000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF THE UNITED PARCEL SERVICE (REDIRECTED  
FROM WITNESS BRADLEY, USPS-T-18)**

**UPS/USPS-T18-2. Provide the following information about Exceptional contracts:**

- (a) A detailed definition of an Exceptional contract, supplemental to the information contained in Postal Service Handbook F-8 (USPS-LR-I-183).**
- (b) A copy of the relevant Postal Service handbook that describes these contracts, supplemental to Handbook F-8.**
- (c) Why do such contracts exist?**
- (d) Under what conditions are these contracts created?**
- (e) How far in advance of need is an Exceptional contract let?**
- (f) Into which management information systems and data bases is information on such contracts entered, and at what point in time?**
- (g) Does the Postal Service require that a justification or explanation be recorded when an Exceptional contract has been requested?**
- (h) Does the Postal Service collect any data on the composition of mail classes carried under Exceptional contracts? If so, provide the information data set.**
- (i) Give details of the circumstances and the frequency with which Exceptional contracts are converted to regular contracts and vice versa.**
- (j) Explain the use of Form 5429, mentioned in Handbook F-8 (as in the description of Account 53125 on page 1343, for example) in the context of Exceptional contracts.**
- (k) What management information system or data base records the contents of Form 5429 submissions?**

**RESPONSE**

- (a) There is no such thing as an exceptional service contract.**
- (b) Not applicable.**
- (c) They do not.**
- (d) They are not.**
- (e) Not applicable.**
- (f) Not applicable.**
- (g) Not applicable.**
- (h) Not applicable.**

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- (i) Not applicable.**
- (j) As mentioned in item a above, there is no such thing as an exceptional contact. Form 5429 (Certification of Exceptional Contract Service Performed), among other things, are used to document performance of exceptional service on an emergency, temporary, or regular contract. When exceptional service is needed, a 5429 is completed.**
- (k) TIMES, VTAPS, and the postal service accounting system. TIMES is a system used to monitor vehicle utilization and performance. VTAPS is a similar information system used to manage highway trailers and rail vans at BMCs. The Postal Service accounting system assigns the cost of the exceptional service to the appropriate exceptional service account.**

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**UPS/USPS-T1 8-3. Provide the following details about Emergency contracts:**

- (a) A detailed definition of an Emergency contract, supplemental to the information contained in Postal Service Handbook F-8 (USPS-LR-I-183).**
- (b) A copy of the relevant Postal Service handbook that describes these contracts, supplemental to Handbook F-8.**
- (c) Why do such contracts exist?**
- (d) Under what conditions are these contracts created?**
- (e) How far in advance of need is an Emergency contract let?**
- (f) Into which management information systems and data bases is information on such contracts entered, and at what point in time?**
- (g) Does the Postal Service require that a justification or explanation be recorded when an Emergency contract has been requested?**
- (h) Does the Postal Service collect any data on the composition of mail classes carried under Emergency contracts? If so, provide the information data set.**
- (i) Give details of the circumstances and the frequency with which Emergency contracts are converted to regular contracts and vice versa.**
- (j) Explain the use of Form 5429, mentioned in Handbook F-8 (as in the description of account 53126 on page 1344, for example) in the context of Emergency contracts.**
- (k) What management information system or data base records the contents of Form 5429 submissions?**

**RESPONSE**

- (a) An emergency contract is a contract let under postal purchasing procedures outlined in the Purchasing Manual dated January 1997, Section 4, part 4.5.b.2.**
- (b) See attached pages from the Purchasing Manual (PM).**
- (c) See the PM, Section 4, part 4.5.5.c.3.**
- (d) See the PM, Section 4, part 4.5.5.c.3.**
- (e) At the time of an emergency.**
- (f) The Highway Contract Support System, at the time the contract is awarded.**

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- (g) The emergency contract award must generally meet the criteria and circumstances discussed in the PM, Section 4.5.5.c.3.**
- (h) No.**
- (i) Emergency contracts are not converted to regular contracts. If a requirement that is operating under an emergency contract is determined to be a long term requirement, it is offered to the marketplace using standard purchasing procedures.**
- (j) PS Form 5429 is used to document that service has been performed for unit rate contracts.**
- (k) See response to UPS/USPS-T18-2(k).**

## 53 Highway Contract Service

### 531 Authorization

The Postal Service is authorized to contract for surface transportation of mail under 39 U.S.C. 5005. Regulations for procuring transportation contracts by highway are contained in the *Purchasing Manual* (see 4.5.8 and Appendix B for Contract Clauses). Policies regarding highway contracts are contained in Handbook PO-513, *Mail Transportation Procurement Handbook*.

### 532 Types of Service

#### 532.1 General

There are three types of highway transportation contracts: regular, temporary, and emergency. Under each of these contract arrangements, service is procured for either transportation or box delivery. Transportation contracts provide service between postal facilities, mailer plants, and similar facilities. Box delivery routes are similar to rural delivery service and provide home or business delivery of mail in sparsely populated areas.

#### 532.2 Regular

*Regular* highway transportation contracts are awarded through a competitive sealed bid process. Contracts are normally awarded for a term of 4 years and are renewable by mutual agreement. An indemnity clause makes the Postal Service liable for the indemnity payment in the event the contract is terminated (for other than default) by the Postal Service before its scheduled expiration date.

#### 532.3 Temporary

*Temporary* highway transportation contracts are similar to regular contracts, except they carry no indemnity provisions and they may not exceed 2 years in term. A one-time renewal term is allowed, not to exceed 2 years.

#### 532.4 Emergency

*Emergency* highway transportation contracts are entered into to meet unusual needs when an emergency occurs that interrupts normal transportation services, such as a catastrophic event, strikes or labor disputes, death of a contractor and the estate will not continue service, suspension or removal of a contractor, or generation of unexpected mail volume. No emergency contract may remain in effect for more than 6 months without the approval of the next higher level of contracting authority. Emergency contracts may not be renewed.

**533 Contract Administration****533.1 Contracting Officer**

The contracting officer has sole authority for committing the Postal Service contractually; that is, to award, amend, terminate, or otherwise alter the contract provisions. The contracting officer also has final authority to approve or deny access to mail or equipment and route recommendations.

**533.2 Administrative Official**

Administrative officials are not authorized to award, agree to, amend, terminate, or otherwise change the provisions of the contract. Administrative officials are responsible for ensuring contractor compliance with the operational requirements of highway contract routes and administering functions related to performance of that service. Specifically, administrative officials are responsible for the following:

- a. Supervising the contractor's operations daily to ensure contract compliance, including necessary recordkeeping.
- b. Screening all contractors, subcontractors, and contract employees who will have access to the mail.  
*Note:* The contracting officer makes the final determination for either approving or denying access to mail and equipment.
- c. Investigating irregularities and complaints regarding service on the route and taking corrective action as warranted under 535 and reporting to the contracting officer any full or partial trips not performed, including the miles of service omitted and the reasons for omission.
- d. Recommending establishment, discontinuance, or modifications in existing routes. This is accomplished by completing Form 5407, *Highway Contract Route Survey/Service Change*, and forwarding it to the contracting officer, who has final authority on such matters.

**534 Performance Monitoring**

The contracting officer is responsible for monitoring contractor performance to ensure that the contractor provides all the services and equipment required under the terms of the agreement. To do this, the contracting officer appoints an administrative official to record contract performance on a day-to-day basis. This is generally the postmaster or manager of the facility where the highway contract route originates. The contracting officer outlines the duties and responsibilities of the administrative official and provides guidance and instruction for properly completing forms and otherwise documenting contract performance. The contracting officer may request additional performance reports, if necessary.

## 535 Irregularities Reporting

### 535.1 Form 5500

Use Form 5500, *Contract Route Irregularity Report*, to report contract route irregularities, including safety deficiencies involving highway contract route (HCR) vehicles and equipment, or a driver's unsafe work practices and procedures while on postal premises. Administrative officials, SCF postmasters, and supervisory officials at large installations other than post offices are authorized to issue Form 5500 to contractors serving their facilities.

### 535.2 Administrative Officials' Actions

#### 535.21 Review

Administrative officials review the irregularities reported and the contractor's comments in section 2 of Form 5500, consult with the contractor, and take appropriate corrective action.

#### 535.22 Conference

##### 535.221 Persistent Irregularities

If irregularities persist or become more serious, the administrative official arranges a conference with the contractor and the contracting officer (or a representative). At this conference, the administrative official informs the contractor of the number and gravity of the irregularities, of the need for immediate correction, and the serious consequences that will ensue if they are not corrected immediately.

##### 535.222 Memorandum for the File

Following this conference, the administrative official writes a memorandum for the file, recording all pertinent statements made by each of the parties during the conference and sends a copy of this memorandum to the contractor and the contracting officer.

#### 535.23 Written Warning

If the conference does not improve the service, the administrative official warns the contractor that the case will be forwarded to the contracting officer for appropriate attention if service does not improve within 3 days. This warning is confirmed by a letter advising the contractor that failure to correct the irregularities may cause termination of the contract for default. A copy of the letter must be sent to the surety or sureties, if any.

#### 535.24 Recommendation

If service still has not improved by the end of the 3-day period, the administrative official forwards the complete file to the contracting officer. The memorandum transmitting the file must briefly describe the irregularities and recommend appropriate action.



## 536 Certification and Payment

### 536.1 General

When a contract has been signed by the contractor, the contracting officer (CO) forwards the signed contract to the St. Louis Accounting Service Center (ASC). The ASC makes payments for service performed only after a certified copy of the contract is filed by the CO to the ASC.

### 536.2 Omitted Service Deductions

The contracting officer, by considering circumstances and past records, must decide whether deductions should be made for service omitted. Deductions are not made for omitted service caused by catastrophes or acts of God. If deductions are warranted, the contracting officer prepares orders on Form 7440, *Contract Route Service Order*, as follows: "Deduct \$\_\_\_ for service not performed as shown below. Such amount to be deducted from the contractor's pay for postal accounting period \_\_\_\_." List service omitted and dates.

## 54 Rail Transportation Service

### 541 Authorization

In accordance with the provisions of 39 U.S.C. 5005, the Postal Service is authorized to contract with railroads for mail transportation whenever rail transportation meets delivery standards and is more economical than other modes of transportation. The type of service, frequency, and points served by rail carriers are specified by the Postal Service and set by contract.

### 542 Types of Service

#### 542.1 Trailer and Container-on-Flatcar Service

##### 542.11 Railroad Responsibilities

All major railroads provide trailer-on-flatcar (TOFC) service and container-on-flatcar (COFC) service between points on their respective systems. They also provide interline with other railroads for trailers destined to points beyond their system. Rail transportation services are almost universally provided as door-to-door service. The Postal Service is responsible for providing only a small percentage of the transportation to the origin ramp and from the destination ramp. The Postal Service, when appropriate, will accomplish the pickup or delivery by postal vehicle service or highway contract service. Otherwise, the railroads are responsible for providing inbound and outbound drayage as well as maintaining a pool of trailers at selected sites. This mail service is authorized by contract arranged by solicitation (request for proposals).

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**UPS/USPS-T18-4. Refer to witness Meehan's Workpapers B, Library Reference USPS-LR-I-80, tab Inputs-Costs, lines 55, 56, 59, 61, 63, 64, 68.69, 71, and 72. Based on the costs reflected in those workpapers, the proportions of costs of Highway Emergency (EM) and Exceptional (EX) contracts to the master accounts are as follows:**

**Intra-SCF: EM = 8.07%, EX = 6.14%, EM+EX = 14.22%**

**Inter-SCF: EM = 19.26%, EX = 5.89%, EM+EX = 25.15%**

**Intra-BMC: EM = 1.12%, EX = 13.99%, EM+EX = 15.11%**

**Inter-BMC: EM = 1.09%, EX = 7.80%, EM+EX = 8.88%**

**(a) Why does the percentage of highway transportation costs attributable to Emergency contracts vary across contract types (Inter-BMC, Intra-BMC, Inter-SCF, and Intra-SCF)?**

**(b) Why does the percentage of highway transportation costs attributable to Exceptional contracts vary across contract types (Inter-BMC, Intra-BMC, Inter-SCF, and Intra-SCF)?**

**RESPONSE**

- (a) Although the Postal Service has not conducted a formal review of each emergency procurement, postal transportation Purchasing indicates that the need for emergency service tends to be greater for intra-SCF contracting, since the contractors are smaller operators. A failure on the part of a large contractor can often be absorbed with that contractor's resources. For small contractors, resources are more limited resulting in greater need for emergency procurements. The large inter-SCF percentage is due to the increased reliance of emergency contracting for inter-Area service. Reasons for this may include: diversions of mail from air to surface, opening of the new Southeast HASP facility, and increased emphasis on two- and three-day First-Class mail service. Freight rail can be used as a substitute for inter-BMC service in some instances reducing the need for emergency contracts in some cases.**

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- (b) Exceptional service is used to fill day-to-day deviations from scheduled service. There is a greater need for this type of service within service areas. Factors described in part a above contributed to uncertainties that resulted in the need for extra trips under exceptional service. Also, with regard to inter-BMC service, freight rail may provide an alternative to additional highway service in some cases. With regard to intra-SCF service, Postal Vehicle Service may be available to fill the breach during contract service failures.**

## **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.

A handwritten signature in black ink, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

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