

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-T18-7(a)-(i), 8 and 9(a)-(d))

The United States Postal Service hereby provides its responses to the following interrogatories of United Parcel Service: UPS/USPS-T18-7(a)-(i), 8 and 9(a)-(d), filed on April 13, 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:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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May 5, 2000

UPS/USPS-T18-7. Refer to the Postal Service's response to interrogatory UPS/USPS-T18-2 in which the Postal Service states that "there is no such thing as an exceptional service contract."

a) Do you disagree with witness Xie's references, in her responses to interrogatories UPS/USPS-T1-47-49, to "exceptional contracts"? Please explain how your view of exceptional service differs from that of witness Xie.

b) Under what type of contract are exceptional service movements governed? Explain the process by which such contracts are created. How far in advance of exceptional service is such a contract let?

c) Explain the process that governs the designation of a movement as exceptional service. When is the decision to acquire such a service made, by whom, and using what criteria?

d) Into which management information systems and/or data bases is information on exceptional services entered, and at what points in time are these entries made relative to the time at which the exceptional service movement departs the facility?

e) Does the Postal Service require that a justification or explanation be recorded when an exceptional service has been requested? If so, provide the information or data set.

f) Does the Postal Service collect any data on the composition of mail classes carried as part of an exceptional service? If so, provide the information or data set.

f) Does the Postal Service collect any data on the composition of mail classes carried as part of an exceptional service? If so, provide the information or dataset.

g) Does the Postal Service collect any data on the mix of containers, pallets, and loose items carried as part of an exceptional service? If so, provide the information or data set.

h) Is Form 5429 used only for documenting performance of exceptional service?

i. Explain what is meant by the phrase "among other things" used in the Postal Service's response to UPS/USPS-T18-2(j).

ii. Explain the uses of Form 5429.

iii. Provide a copy of the instructions that govern the use of Form 5429.

i) The Postal Service indicates in its answer to UPS/USPS-T18-2(k) that information from Form 5429 is recorded in TIMES. What information is recorded?

j) In your testimony in Docket No. R97-1, USPS-T-13, at 22, footnote 12, you state that "The term 'exceptional' is used for contracts that cover what is typically thought of as emergency service (a truck breaks down, a truck driver is ill, etc.)." Reconcile this statement with the Postal Service's statement that there are no exceptional contracts.

RESPONSE

- a) There is no such thing as an exceptional contract. Witness Xie's responses (and, for that matter, the question) would have been more better stated by substituting the words "exceptional service" for "the Exceptional contracts".
- b) Exceptional service can be provided under provisions of emergency, temporary or regular contracts. Emergency, regular and temporary contracts generally provide for scheduled service, purchased in advance using a competitive bidding process. Exceptional service is usually purchased in "real time", that is, on the spot, as the need arises.
- c) Exceptional service is normally purchased when unexpected events and/or mail volumes occur during a mail processing operation. The decision to request exceptional service is made by the dock personnel managing the mail processing operation.
- d) The information (record of dispatch) is entered into TIMES. Data is entered, to the extent possible, in real time.
- e) There are no specific data base requirements, but as mentioned in item c above the cause of exceptional service is unexpected events and volumes.
- f) No.
- g) No.
- h) No.

i - iii) Form P.S. 5429 is a summary document, completed by the administrative official each accounting period to summarize exceptional service performed by a contractor. The document is submitted to the data center to generate payment to the contractor. P.S. 5397 is used to authorize and record information about extra trips. P.S. Forms 5397 are summarized on Form P.S. 5429, which are used to generate payment to the contractor. Copies of Forms 5397 and 5429 and instructions are attached.

- i) See the form attached to the response to part h) above. Data include origin/destination office, vehicle number, load percentage, dispatch time, contract number, and drivers name.
- j) Answered by witness Bradley.

U.S. Postal Service
CONTRACT ROUTE EXTRA TRIP AUTHORIZATION

ATTACHMENT
 JDS/JSR-718-7
 Route 1 of B

INSTRUCTIONS

FOR ONE-WAY TRIPS:

Office of Origin—Complete Blocks 1-9, 14, and 30, and obtain signature of driver in Block 31. Retain Copy No. 4 for your files. Give other 3 copies to driver to accompany mail.

Office of Destination—Complete Blocks 10-13, 16-17 and 26. Retain Copy No. 3 for your files. Give Copy No. 2 to driver for contractor's records. Forward Copy No. 1 to Administrative Official, as shown.

FOR ROUND TRIPS:

Office of Origin—Complete Blocks 1-9, 14, and 30, and obtain signature of driver in Block 31. Retain Copy No. 4 for your files. Give other 3 copies to driver to accompany mail.

Office of Destination—Complete Blocks 10-13, 15, 16-21, and 27. Retain Copy No. 3 for your files. Give Copies Nos. 1 and 2 to driver to accompany mail to office of origin.

Office of Origin—Complete Blocks 22-25 and 28. Give Copy No. 2 to driver for contractor's records. Complete information on your file copy No. 4, and forward Copy No. 1 to Administrative Official, as shown.

1. Contract Route No.		2. Contractor				3. Extra Trips Authorized (Check one) <input type="checkbox"/> One Way <input type="checkbox"/> Round Trip (_____ miles) (_____ miles)					
4. Point of Origin (City and State)			5. Date & Time of Dep.		6. Cont. or Pcs.		7. % Load		8. Trailer-Truck No.		
9. Destination (Outer terminal)			10. Date & Time of Arr.		11. Cont. or Pcs.		12. % Load		13. Trailer-Truck No.		
14. Outbound Trip No.						15. Inbound Trip No.					
VIA		Arr.	Dept.	% Unloaded	% Loaded	VIA		Arr.	Dept.	% Unloaded	% Loaded
16. Destination (Outer terminal)			17. Date & Time of Dep.		18. Cont. or Pcs.		19. % Load		20. Trailer-Truck No.		
21. Point of Origin			22. Date & Time of Ret.		23. Cont. or Pcs.		24. % Load		25. Trailer-Truck No.		
26. Name of Receiving Employee at Destination			27. Name of Dispatching Employee at Point of Destination (Return trip)				28. Name of Receiving Employee at Point of Origin (Return trip)				
29. Remarks											
30. Authorized By (Title and Signature of Postal Supervisor)						31. Driver's Signature					

CERTIFICATION OF EXCEPTIONAL CONTRACT SERVICE PERFORMED

HCR

Water Route (Domestic)

Area Bus

Other

SERVICE CODES (Col. C) TO BE USED: E = Emergency Routes D = Detour Service A = Additional Service O = Other (if "O" explain in Col. F)

Exceptions to the scheduled operation of routes for this account number are: *(Administrative Postmaster will fill in unshaded columns only)*

Type of Payment	Vendor	Region	State	Obligation Period	Fiscal Year	Route No.	Name of Contractor	Service	Units of Service				Mileage or Other Unit Rate	Remarks
									Miles	Trips	Pieces	Days		
(1)	(2-6)	(7)	(8-9)	(63-64)	(65)	(A)	(B)	(C)	(D)				(E)	(F)

TOTAL AMOUNT

Use this space for additional remarks, if necessary.

TO: Postal Data Center, Highway Transportation Branch
P.O. Box 14441, St. Louis, MO 63180-9191

I CERTIFY that the above service has been performed and that supporting documents are on file in this office.

ACCOUNTING PERIOD

Administrative Postmaster (Signature)

Post Office, City, State and ZIP + 4 Code

Date Submitted

No. From To

A 77 K...
 J...
 7/18...
 2...

134.12 Contract File Folder. Administrative officials must maintain up-to-date file folders for all HCRs at their offices. The right side will contain material of a permanent nature. The left side of the folder is used to hold forms and correspondence of a temporary nature which may be periodically disposed of according to established instructions. The file folder must also include a *detailed* record of the contractor's performance on the route.

134.13 Address Assignments and Changes. The administrative official must establish procedures for recording address changes and for assigning contract box numbers or street addresses.

134.14 Roster and Map. The administrative official must maintain a roster of customers and a current route map indicating line of travel, residences, and box locations. When the contractor cases the mail, the contractor will provide the list. When mail is cased by postal personnel, the list will be developed jointly.

134.15 Mark-ups. The administrative official will instruct the contractor on procedures to be followed in the forwarding and mark-up of mail. In those instances where central mark-up is available for postal personnel, it must also be made available to box delivery contractors.

134.16 Reports. Administrative officials prepare and maintain all regular and special reports requested by the TMSC manager.

134.2 Supervisory Responsibilities

134.21 General. Administrative officials must carry out the supervisory responsibilities in 134.22 through 134.29.

134.22 Compliance with Regulations. Ensure that mail is properly delivered to customers. They must be familiar with the terms of the contract and all regulations and policies pertaining to box delivery operations, and they must supervise the operation efficiently in accordance with the contract regulations and policies.

134.23 Service Changes. Place service changes into effect only upon receipt from the TMSC of Form 7440 or Form 7440-A, *Change in Schedule Notice*, showing service or schedule changes and effective dates. If there is no change in scheduled mileage or time, postmasters may authorize additional boxes *along the line of travel* and maintain clusters wherever possible. Report these changes quarterly to the TMSC.

134.24 Monitoring

134.241 Ensure that contractors report at times provided in their contracts and depart for their routes on schedule.

134.242 Record contractor performance data daily on Form 5398, *Transportation Performance Report*, or Form 5399, *Record of Performance of Contract Routes*. This includes reporting time, departure time, return time, detours, omitted service, etc. Time cards may be used where appropriate.

134.243 Report any serious operating failures promptly to the TMSC and immediately issue a Form 5500, *Contract Route Irregularity Report*.

134.244 Monitor contract route operations; submit HCR Efficiency Reports to the TMSC at the end of each A/P; and counsel contractors on performance and/or operational problems. Consult with TMSC manager concerning performance failures, i.e., how to develop a well documented case, etc.

134.245 Prepare recommendations to TMSC for corrective action for contractor irregularities beyond counseling stage after the contractor has been issued a "letter of warning."

134.25 Exceptional Service. Certify on the last day of the A/P all detour, additional, and emergency service on Form 5429, *Certification of Exceptional Contract Service Performed*. Submit copies to the Postal Data Center, St. Louis, MO, to the appropriate division manager, to the respective TMSC, and to the contractor. Document

all omitted service and submit it to the TMSC not later than the close of the A/P in which the service was omitted.

134.26 Staffing

134.261 Provide adequate staffing to meet departure and arrival schedules and to process cutoffs.

134.262 Provide proper supervision and technical positions to monitor and record all aspects of highway operations.

134.263 The administrative official must provide a safe work area at the postal facility.

134.27 Surveys and Counts

134.271 Based on the guidelines and training provided by the contracting officer, administrative officials are to conduct surveys of contract box delivery routes during the fall of each year by physically riding the routes. Variations in methods or dates of inspections must be approved in advance by the TMSC manager. Forward a report on Form 5406, *Box Delivery Contract Route Survey*, and other documentation to the TMSC manager prior to the end of October of each year. Postal personnel performing route inspections must refrain from making commitments to the contractor, verbal or otherwise, regarding changes in the existing contract specifications. Submit proposed changes to the TMSC in accordance with established procedures.

134.272 In addition, a 1-week count of mail will be conducted on each highway contract box delivery route during the survey on a Route Data Volume Count form furnished by the TMSC manager. This mail count must accompany the Form 5406 furnished the TMSC manager.

134.273 Additional surveys and volume counts on Route Data/Volume Count forms may be required by the TMSC manager at other times during the year. Such counts will generally occur:

a. Immediately prior to or following resolicitation of a contract; and

b. When the contractor requests a change in the contract rate due to increase in customers/boxes and mail volume. *Note:* Mail volume counts are one criterion used in evaluating a contractor's workload and adjusting the contract rate. It is therefore important that these counts be accurate. Depending upon the individual route and circumstances involved, other factors or alternate methods may be necessary to evaluate workhour requirements (e.g., seasonal routes or routes having extreme volume fluctuations).

134.274 The administrative official must provide the contractor a copy of all route surveys, box counts, and mail volume counts.

134.28 Vehicle Inspections

134.281 The administrative official must inspect all vehicles used on the contract to ensure contract compliance.

134.282 Makes periodic checks of the carrier's vehicle to ensure that:

- a. No mail is being left in vehicle;
- b. Vehicle meets or exceeds the requirements of the contract;
- c. The vehicle offers adequate protection against loss or damage of the mail, including possible damage due to adverse weather conditions; and
- d. The round trip mileage does not excessively exceed the authorized mileage of the route. If excessive mileage is frequently shown, the reason must be determined and appropriate corrective action taken.

134.29 Route Analysis

134.291 Analyzes operating data recorded on Forms 5398 and 5399 for service and economic performance.

134.292 Periodically checks the contractor's work area (postal facility) asking:

a. Is the contractor's route book complete and current?

UPS/USPS-T18-8. Refer to the Postal Service's response to interrogatory UPS/USPS-T18-3, in which the Postal Service refers to "attached pages from the Purchasing Manual" and to "the Purchasing Manual dated January 1997, Section 4, part 4.5.b.2." The pages attached to the response, however, are from the Postal Operations Manual (POM Issue 8, July 16, 1998, referred to subsequently as the POM).

- a) Provide the referenced pages from the Purchasing Manual.
- b) With respect to temporary contracts, as defined in the POM, page

264:

- i. Explain the difference between temporary contracts and what you refer to as emergency contracts.
- ii. Explain the difference between temporary contracts and what you refer to as exceptional service.
- iii. Explain the difference between temporary contracts and what witness Xie refers to as emergency contracts.
- iv. Explain the difference between temporary contracts and what witness Xie refers to as exceptional contracts.

- c) With respect to emergency contracts, as defined in the POM, page

264:

- i. Explain the difference between emergency contracts and what you refer to as emergency contracts.
- ii. Explain the difference between emergency contracts and what you refer to as exceptional service.
- iii. Explain the difference between emergency contracts and what witness Xie refers to as emergency contracts.
- iv. Explain the difference between emergency contracts and what witness Xie refers to as exceptional contracts.

d) Provide a table of correspondence between regular, temporary, and exceptional contracts, as referenced in the POM, regular contract, emergency contract, and exceptional service, as referred to by you, and the various account numbers used in highway transportation, whose names include the terms "regular," "emergency," and "exceptional."

e) To the table created in response to d) above, add the correspondence to regular contract, emergency contract, and exceptional contract as used by witness Xie.

RESPONSE

a. See attached. The reference should be to Section 4, part

4.5.5.b.2.

b. i) An emergency contract is awarded when management determines there is a business or operational emergency. Temporary

contracts are awarded in those instances where there is a known need for transportation, but the long-term requirements have not been fully defined. Emergency contracts may be terminated with 24 hours notice, while temporary contracts require 30 days notice.

ii) Temporary contracts are stand alone contract entities.

Exceptional service is additional service added to existing temporary contracts. This same relationship exists between regular and emergency contracts.

iii) See the response to subpart i) above.

iv) See the response to subpart ii) above.

c) i) They are the same thing.

ii) See response to b) ii) above.

iii) They are the same thing.

iv) See response to subpart b) ii) above.

d) Answered by witness Bradley.

e) Witness Xie is referring to the regular and emergency contracts and to exceptional service in the same sense as the POM and witness Bradley. She merely used the term exceptional contract when she should have said exceptional service.

4.5.4.b

Services, or by letter providing the information required by the purchase team.

- 4.5.4.b *Retention on Lists.* Suppliers must be retained on mailing lists for two years from the date of their application or the date of their most recent response to a solicitation, whichever is later. Those that have been removed from mailing lists may be reinstated by filing a new application.
- 4.5.4.c *Use of Mailing Lists.* The purchase team, using their knowledge of the marketplace and depending on the particular purchase, should solicit enough mailing list suppliers to ensure adequate competition.
- 4.5.4.d *Publicizing.* The contracting officer may have an announcement of the solicitation published in the Journal of Commerce. Announcements of solicitations may be made available to newspapers, other news media and trade journals at no cost to the Postal Service. Paid commercial announcements or advertisements may be used when determined by the contracting officer to be in the Postal Service's interest. Unless precluded by urgency, any announcement published must appear at least 30 days before the date for receipt of proposals.

4.5.5 **Contracts**

- 4.5.5.a *Contract Type.* See 2.4.
- 4.5.5.b *Contract Term.* Except for air and terminal-handling contracts, the term of the contract must be one of the following:
 1. *Regular Contract.* A fixed-term contract that cannot exceed four years unless warranted by special conditions or the use of special equipment. In these cases, the contract may be for a six-year term.
 2. *Emergency Contract.* A contract entered into for the duration of an emergency under the authority of 39 U.S.C. 5001.
 3. *Temporary Contract.* A short-term contract may not exceed two years, and that may be terminated by either party without entitlement or indemnity.
- 4.5.5.c *Use of Contracts*
 1. Regular contracts should be used whenever possible.
 2. Temporary contracts may be used only when (a) the need for the service is expected to be two years or less, or (b) the need for the service has been established, but the duration, frequency, or volume of mail are not certain. Temporary contracts must be replaced with regular contracts as soon as service requirements are firmly established.
 3. Emergency contracts may be entered into only when an emergency exists, and must terminate when the emergency ceases and the Postal Service is able to obtain service otherwise pursuant to its contracting authority. No emergency contract may remain in effect more than six months without the approval of the manager, National Mail Transportation Purchasing. Circumstances under which emergency contracts may be appropriate include the following:

- (a) A catastrophic event has interrupted normal transportation operations.
- (b) Strikes or other labor disputes are causing service interruptions.
- (c) A mail transportation supplier has been suspended or removed or a contract has been terminated.
- (d) A sole highway supplier has died or become incompetent and the estate representative will not continue service.
- (e) The generation of mail at unanticipated locations or an unexpected increase in mail volume at regular locations exceeds the mail hauling capacity of the Postal Service or regular suppliers.

4.5.5.d *Modes of Transportation.* Transportation contracts are distinguished by the mode of transportation service provided. A contract for any mode of service may require container and additional services such as stevedoring, terminal handling, and ground drayage between postal facilities and the supplier's facilities. The modes follow:

1. *Air Transportation*

- (a) *Air Taxi.* Air taxi contracts call for the transportation of mail by dedicated aircraft operating between two or more specified points. In most cases, these contracts also call for the exclusive use of the entire aircraft capacity for the transportation of mail. Handbook PO-513, *Mail Transportation Handbook*, and more specifically, Handbook PO-509, *Air Taxi Contract Administration*, provides guidelines and procedures in the purchase and administration of air taxi contracts. If any conflict occurs between the handbooks and the PM, the PM applies.
- (b) *Air Network.* Air transportation network contracts call for the transportation of mail by air carrier, usually by dedicated aircraft between points where hub transfers are used.
- (c) *Air Segment.* Air transportation segment contracts call for the transportation of mail by air carrier between an origin and a destination specified by the Postal Service.
- (d) *Air System*
 - (1) Air system contracts call for the transportation of mail from, to and between any point(s) within the air carrier's existing transportation system or network. The air carrier's existing system may be modified from time to time as determined by the air carrier. An air carrier's transportation system consists primarily of transportation by aircraft, but may include road feeder service (RFS) connections. Such contracts may be awarded either (1) through a competition in which price is a factor in the selection decision; or (2) on the basis of a uniform or common rate set by the Postal Service.
 - (2) If price is a factor in selecting air system suppliers, the purchasing procedures contained in 4.2 must be followed.

UPS/USPS-T18-9. Refer to the Postal Service's response to UPS/USPS-T18-4.

a) Why would "diversion of mail from air to surface" disproportionately affect the extent of emergency contracting in Inter-Area service relative to other categories of Inter-SCF contracts or to other categories of highway transportation contracts?

b) Why would the "opening of the new Southeast HASP facility" disproportionately affect the extent of emergency contracting in Inter-Area service relative to other categories of Inter-SCF contracts or to other categories of highway transportation contracts?

c) Why would "increased emphasis on two- and three-day First-Class service" disproportionately affect the extent of emergency contracting in Inter-Area service relative to other categories of Inter-SCF contracts or to other categories of highway transportation contracts?

d) Why are exceptional service movements more likely to happen "within service areas"? Define the highway contract types to which you refer when you use the term "service area."

e) In estimating volume variability for highway transportation, do you control for variations in the proportion of costs that fall into the emergency and exceptional categories? If not, explain why not.

f) Your discussion of exceptional service costs fails to explain why the proportion of exceptional service costs in Intra-BMC costs is more than double that of the proportion in Inter-SCF or Intra-SCF costs, and almost double of Inter-BMC costs. Please explain.

g) Suppose an unexpected surge in mail volume occurs that requires additional, unexpected transportation resources to be moved. How will such moves be arranged? Under what account will the costs of such moves be classified?

h) Suppose a mechanical breakdown occurs that prevents completion of a highway movement segment. Explain the process by which the decision is made to hold the mail until the next scheduled movement vs. to ship by an exceptional service movement. How is this decision affected by the mix of mail sub-classes and/or the quantity of time-sensitive mail present in the mail which would have been moved on that segment?

i) Provide actual records from TIMES and from Form 5429 for when highway movements required by unexpected surges in mail volume occurred.

j) Provide an analysis of any and all mail volume information available from TIMES and from sources based on Form 5429 for movements that occurred because of unexpected surges in mail volume.

RESPONSE

- a) Mail diverted from air to surface normally travels longer distances between areas. Therefore, diversions from air to surface would have greater impact on inter-Area service.
- b) As in the response to a) above, mail going to a HASP is consolidated in one area and shipped, in most instances, to another area. Therefore, inter-area transportation operations would be impacted more when compared to inter-SCF transportation.
- c) This could be true because the Postal Service typically uses emergency contracts and exceptional service on existing contracts to offset the impact of unexpected mail volumes or operating delays. As an example, one might experience an unexpected surge in volume late in an operation. In this instance, one might use exceptional service on an emergency contract to ensure that the mail gets to the customer in a timely manner.
- d) Exceptional service is more likely to occur in a service because you are working with a very tight time window to get mail to the downstream offices. Any problem with operations (e.g., mail processing) normally requires exceptional service to make up for lost time.
- e) Answered by witness Bradley.
- f) The percentage of exceptional service for one category of highway transportation is not necessarily related to the percentage in another.
- g) Operations managers call for exceptional service or emergency contracts.

- h) The mail will be moved ...or the contractor will make up trip.
- i) This information is not available for TIMES and Form 5429 or for TIMES and Form 5397.
- j) This information is not available for TIMES and Form 5429 or for TIMES and Form 5397.

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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May 5, 2000