

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

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
APMU WITNESS HALDI  
(USPS/APMU-T1-1-24)

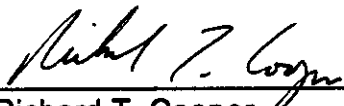
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to APMU witness Haldi: USPS/APMU-T1-1-24.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
Richard T. Cooper

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2993 Fax -5402  
June 13, 2000

**USPS/APMU-T1-1.** Refer to your testimony at pages 11-13 where you discuss the PMPC network.

- a. Is it your understanding that ten Priority Mail Processing Centers (PMPCs) were operated by Emery Worldwide Airlines under contract to the Postal Service during all of FY 1999? If not, please explain.
- b. Is it your understanding that some of the existing 10 PMPCs were not fully operational during a portion of FY 1998? If not, please explain.

**USPS/APMU-T1-2.** Refer to APMU-T1-1 at 19, lines 16-18. Provide all supporting documentation, including data on the change in Priority Mail market share over time, to support your statement that: "In the case of Priority Mail, much of the business for heavier weight packages (over 5 pounds) appears to have migrated already to other providers."

**USPS/APMU-T1-3.** Refer to your testimony at page 13-14, where you discuss Inspector General's Audit Report No. DA-AR-99-001.

- a. Confirm that the IG Report at page ii states in its "Summary of Management's Comments" that "management pointed out because the audit was conducted during the pilot phase of the Priority Mail Processing Center Network, many of the findings and recommendations in the report may be premature." If not confirmed, please explain fully.
- b. Confirm that the IG Report at page ii in its "Evaluation of Management's Comments" states that "We also acknowledge that we began the audit prior to the full implementation" of the PMPC network. If not confirmed, please explain fully.

**USPS/APMU-T1-4.** Refer to your testimony at page 14 where you state:

*The Inspector General report revealed that in some ways service may have been harmed by the contract as "network subcontractors were abandoning Priority Mail destined for Anchorage, Alaska to [sic, should be in] Seattle, Washington . . . from November 1997 through August 1998. (footnote omitted)"*

- a. Confirm that this section of the Inspector General's report does not reach any conclusions on the effect of the network subcontractors' actions in Seattle WA, on overall Priority Mail service performance. If not confirmed, please explain fully.
- b. Confirm that the omitted portion of the quoted section of the Inspector General's report states, in part, that

As a result, USPS transported network Priority Mail that should have been transported by network subcontractors. Network personnel had already identified the problem and, during the course of our audit, took corrective action to recover over [redacted] in transportation costs for mail abandoned by subcontractors from November 1997 through August 1998.

If not confirmed, please explain fully.

- c. Confirm that it is possible that the service standard for this mail was met despite the subcontractor's actions because "USPS transported [this] network Priority Mail". If not confirmed, explain fully.

USPS/APMU-T1-5. Refer to your testimony at page 35 where you discuss FedEx's federal government contract rates. Please provide all data, studies or other information demonstrating that FedEx's government contract rates are similar to the discounted rates that FedEx or other competitors offer non-governmental customers.

USPS/APMU-T1-6. Refer to your testimony at page 40 where you discuss the potential reduction in volume due to the implementation of the Postal Service's proposed rates. Do you agree with witness Musgrave's analysis of the impact of the USPS-proposed Priority Mail rates on Priority Mail volume? If not, discuss in detail the reasons for your opinion, and provide empirical evidence to support your forecast.

USPS/APMU-T1-7. Other than the FedEx federal government rates provided in Appendix B to your testimony, provide all rate tables or other data for USPS competitors that demonstrate that "[t]he negotiated rates offered by competitors . . . may already be dangerously close to undercutting existing Priority Mail rates" [APMU-T1 at 42, lines 3-5].

USPS/APMU-T1-8. Confirm that  $168\% * \$1.90 = \$3.19$ . If not confirmed, please explain fully.

USPS/APMU-T1-9. Refer to page 8, lines 5-6 of your testimony.

- a. Confirm that you state that "[Priority Mail] coverage should be restricted to about the same level established by the Commission in Docket No. R97-1." If not confirmed, please explain fully.
- b. Confirm that the PRC Docket No. R97-1 recommended Priority Mail cost coverage and Priority Mail rates are based on estimated Priority Mail costs developed using the Postal Rate Commission's Docket No. R97-1 costing methodology. If not confirmed, please explain fully.
- c. Confirm that the allocated unit costs you use in rate design are based on Attachment H of USPS witness Robinson's testimony which

incorporate the costing methodology proposed by the Postal Service in Docket No. R2000-1. If not confirmed, please explain fully.

- d. Refer to USPS-LR-I-131, PRC Version/ Rollforward Model and USPS witness Kashani's testimony (USPS-T14). Confirm that the Postal Rate Commission's Docket No. R97-1 costing methodology and the Postal Service's Docket No. R2000-1 costing methodology result in different estimates of Test Year Priority Mail costs. If not confirmed, please explain fully.

**USPS/APMU-T1-10.** Refer to your testimony at page 62, lines 8-10 where you state: "Some mailers use Priority Mail to dropship (and expedite) smaller items of different mail classes to destinating SCFs (and, perhaps on occasion, to DDUs)."

- a. Please provide all data, analyses, or other documentation available to you that quantify the total number of Priority Mail pieces that are used to "dropship (and expedite) smaller items of different mail classes."
- b. Please provide all data, analyses, or other documentation available to you that quantify by type of destination facility (DSCF, DDU or other facilities) the number of Priority Mail pieces that are used to "dropship (and expedite) smaller items of different mail classes."
- c. Please provide all data, analyses, or other documentation available to you that quantify by mail piece type or container (sack, tray, or other container) the number of Priority Mail pieces that are used to "dropship (and expedite) smaller items of different mail classes."
- d. Please provide all data, analyses, or other documentation available to you that quantify by mail class or subclass, the number of "smaller items" enclosed within these Priority Mail pieces.
- e. Please provide all data, analyses, or other documentation available to you that quantify by mail class or subclass, the average number of "smaller items" enclosed within one of these Priority Mail pieces.

**USPS/APMU-T1-11.** Refer to your testimony at page 62, lines 10-12 where you state: "At the DSCF, Priority Mail sacks are opened and the items within are then entered as Standard A Mail, or another class."

- a. Is it your understanding that Priority Mail pieces and pieces mailed under other mail classes may be processed in different areas of a plant?
- b. What is the cost of opening a Priority Mail piece within the destination DSCF? Please provide all supporting analysis.

- c. What is the cost of identifying, by class of mail, the required processing operation for the mail enclosed within the Priority Mail piece? That is, what is the cost of determining, for example, that the enclosed pieces must be processed in the appropriate operations with the plant's other Standard Mail (A)? Please provide all supporting analysis.
- d. Do the costs referred to in part c vary depending on the class of mail that is enclosed within the Priority Mail piece? Please explain fully.
- e. What is the cost of moving the enclosed mail pieces to the appropriate operation within the plant? Please provide all supporting analysis.
- f. Are there any circumstances where the enclosed mail may need to be transported to another postal facility in order to be processed? Please explain fully.
- g. What is the cost of transporting the enclosed mail pieces to another facility in order to be processed? Please provide all supporting analysis.

USPS/APMU-T1-12. Please provide all data, analysis or other documentation supporting your assertion that Priority Mail pieces designating at an SCF "travel longer distances" [APMU-T1 at 62, line 13] than a typical Priority Mail piece.

USPS/APMU-T1-13. On page 62, line 12-13 you state that "dropship packages of this type tend to fall in the heavier, zoned weight range."

- a. Please provide all data, analysis, or other documentation on the average weight of Priority Mail pieces designating at an SCF.
- b. Please provide all data, analysis, or other documentation on the weight distribution of Priority Mail pieces designating at an SCF.
- c. Please provide all data, analysis, or other documentation on the zone distribution of Priority Mail pieces designating at an SCF.

USPS/APMU-T1-14. Currently, Priority Mail may be used to dropship (or expedite) smaller items of different mail classes "from the origin post office to the destination post office of the shipment" [DMM D071.2.1].

- a. Do you restrict your proposed discount to Priority Mail pieces designating at a SCF?
- b. If not, why is it appropriate for the same discount to be applied to pieces dropshipped to differing types of facilities (i.e., DSCF, DDU)?

**USPS/APMU-T1-15. Refer to DMM E652.1.3**

- a. Confirm that to qualify for DSCF Parcel Post rates, the pieces in the mailing must be part of a single mailing of 50 or more pieces. If not confirmed, please explain fully.
- b. Do you propose that this requirement apply to Priority Mail destinating at an SCF that is eligible for your proposed discount? If not, why not?
- c. Confirm that to qualify for DSCF Parcel Post rates, the pieces deposited at the DSCF must be addressed for delivery within the ZIP Code ranges that the applicable entry facility serves. If not confirmed, please explain fully.
- d. Do you propose that this requirement apply to Priority Mail destinating at an SCF that is eligible for your proposed discount? Please explain fully.
- e. Confirm that to qualify for DSCF Parcel Post rates, the pieces deposited at the DSCF must be presorted to the 5-digit level.
- f. Do you propose that this requirement apply to Priority Mail destinating at an SCF that is eligible for your proposed discount? Please explain fully.

**USPS/APMU-T1-16. Refer to your testimony at page 62, lines 19-20, where you state: "heavier weight pieces in excess of 5 pounds, shipped to zone 5 or farther, result in relatively high unit profits."**

- a. Confirm that, under your proposed rate design, the contribution to institutional costs for heavy-weight, Priority Mail pieces is 170%. If not confirmed, please explain fully.
- b. Confirm that under your proposed rate design, the average contribution to institutional costs for Priority Mail is 168%. If not confirmed, please explain fully.
- c. Please explain fully how, under your proposed rate design, Priority Mail pieces used to drop ship or expedite other classes of mail "will result in relatively high unit profits."

**USPS/APMU-T1-17. Confirm that a mailer entering one piece of Priority Mail destinating at an SCF will be eligible for your proposed discount. If not confirmed, explain fully.**

**USPS/APMU-T1-18. Under your proposal, will a mailer who enters Priority Mail that (i) destinate at an identified facility, and (ii) does not include other classes of**

mail, be eligible for your proposed Priority Mail drop ship discount? Please explain fully.

USPS/APMU-T1-19. Do Priority Mail sacks used for drop shipment of other classes of mail have the same cost characteristics as other Priority Mail pieces of a similar weight? Please explain fully.

USPS/APMU-T1-20. Refer to your testimony on page 71, lines 17-18 where you state: ". . . witness Plunkett states that the implicit coverage on his proposed Parcel Select SCF rates is 113 percent. fn. 66 Response to AMZ/USPS-T36-7 (Tr. 11/4985)."

- a. Confirm that the correct reference is AMZ/USPS-T36-14 (Tr. 13/4985). If not confirmed, please explain fully.
- b. Confirm that witness Plunkett's full response to AMZ/USPS-T36-14 is: "As cost coverage is typically calculated at the subclass level, I did not incorporate analysis of implied cost coverages within rate categories into parcel post rate design. My estimate of the implied cost coverage of DDU parcel post TYAR is approximately 113 percent. [emphasis added]" If not confirmed, please explain fully.
- c. Please explain your basis for using the DDU Parcel Post cost coverage of 113% to estimate the cost of delivering parcels of various weights entered at the SCF.

USPS/APMU-T1-21. Refer to your testimony on page 72, lines 1-2.

- a. Please explain the basis for your choice of a 75% pass through for the estimated cost savings associated with Priority Mail drop shipment.
- b. Please list all other pass through percentages you considered and explain why these alternative pass throughs were rejected.

USPS/APMU-T1-22. In constructing your Priority Mail drop shipment discount you assert that "[f]or simplicity (criterion 7), the proposed discounts are in 10-lb increments." Please explain the basis for your selection of 10-lb increments as opposed to any other increment.

USPS/APMU-T1-23. Refer to your testimony at page 72, lines 8-10 where you state "it is reckoned that as much as 10 percent of all zoned Priority Mail pieces over 5 pounds already may be used for this purpose." Please provide all bases for this "reckoning."

USPS/APMU-T1-24. Refer to your testimony at page 72, lines 15-19 where you state "a [Priority Mail drop ship] rate discount would help prevent loss of such SCF destinating Priority Mail volume to alternative carriers which have been

**better able to compete with Priority Mail entry due to the availability of consolidated national postage payment options which did not previously exist."**

- a. Please list all "alternative carriers" that compete with Priority Mail drop shipment.**
- b. For fiscal year 1998 (and any other year you may choose), please quantify the number of SCF destinating pieces entered by alternative carriers at the DSCF that otherwise would have been Priority Mail drop shipments. Please provide all supporting data, analyses or other documentation.**
- c. For fiscal year 1998 (and any other year you may choose), please quantify the amount of postage revenue lost from SCF destinating pieces entered by alternative carriers at the DSCF that otherwise would have been Priority Mail drop shipments. Please provide all supporting data, analyses or other documentation.**
- d. Please provide rate tables (both published and discounted) that show a Priority Mail drop ship discount would allow the Postal Service to compete with these "alternative carriers" on the basis of price.**
- e. Please define "consolidated national postage payment options" and explain how the Postal Service differs from these alternative carriers on the basis of these payment options.**



**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

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2993 Fax -5402  
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