

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
THE ASSOCIATION OF PRIORITY MAIL USERS, INC.
REDIRECTED FROM WITNESS PATELUNAS
(APMU/USPS-ST44-1-4)

The United States Postal Service hereby provides its responses to the following interrogatories of the Association of Priority Mail Users, Inc.: APMU/USPS-ST44-1-4, filed on July 31, 2000, and redirected from witness Patelunas.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 17, 2000

**Response of United States Postal Service
to Interrogatories of the Association of Priority Mail Users
(Redirected from witness Patelunas, USPS-ST44)**

APMU/USPS-ST44-1

Please refer to page 5, lines 22-24 of your testimony, USPS-ST44, where you state: "Priority Mail Processing Contract costs were increased from \$522 million to \$567 million. Additionally, Priority Mail Processing Contract costs were increase by \$123 million from \$472 million to \$595 million."

- a) Please explain whether both of these increase apply to the same fiscal year, and if so, which year. If not, to which fiscal year does each apply? If they are for different years, why is the increase in one year \$45 million, and \$123 million in the other year?
- b) (i) Were these payments made to Emery or some other entity? (ii) If to Emery, were these payments based on volume that was over and above the volume that was expected?
- c) If the answer to part B (ii) is not an unqualified affirmative, was any portion of these payment based on contract claims filed by Emery as previously identified in this docket in the response to APMU/USPS-T34-50? Please explain your answer.
- d) If the responses to parts b and c of this interrogatory do not account fully for all additional payments, please explain exactly what they were for.
- e) Were these payments required to be made under contract, or were they discretionary? If under contract, please identify and provide the relevant provision(s) of the contract. If discretionary, please explain why should they be deemed attributable costs and why they were attributed to Priority Mail.
- f) Please provide copies of all invoices, agreements, and other supporting documents confirming additional payments to Emery that are included in the additional costs identified in your response to part a.

RESPONSE:

- a. The amounts apply to different years. The "\$522 million to \$567 million" applies to test year 2001 and the "\$472 million to \$595 million" applies to FY 2000. This was corrected by witness Patelunas at the August 3, 2000 hearing. Tr.35/16618.
- b. (i) These are projected costs; they are not payments to any entity. (ii) Not applicable.

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- c. Not applicable.
- d. Not applicable.
- e. Not applicable.
- f. Objection filed August 10, 2000.

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APMU/USPS-ST44-2

Previously, the Postal Service filed a redacted copy of the Inspector General's report on the Priority Mail Processing Center Network (September 24, 1999), DA-AR-99-001, as Library Reference USPS-LR-I-315. Please provide an unredacted copy of the report, under seal if necessary.

RESPONSE:

Objection filed August 10, 2000.

**Response of United States Postal Service
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(Redirected from witness Patelunas, USPS-ST44)**

APMU/USPS-ST44-3

- a. Does Emery provide air transportation services to the Postal Service other than in conjunction with the PMPC network? If so, please explain those services generally, and indicate the extent to which they are for mail other than Priority Mail.
- b. Were any of these additional contracting costs referred to on page 5, lines 23-24, of your testimony payments made to preserve the Postal Service's on-going relationship with Emery? Please explain your answer. If so, why should they be attributed to Priority Mail?

RESPONSE

- a. Yes, see response to APMU/USPS-T34-3 (redirected to the Postal Service). It is unclear what is meant by "service...for mail other than Priority Mail." It is a well established fact that virtually all types of air transportation (passenger air, Eagle, overnight WNET, daytime dedicated air, CNET etc.) carry classes of mail other than Priority Mail.

Emery provides many different types of air transportation including Eagle (under the ANET contract), passenger air (under an ASYS contract), daytime dedicated air (under separate contracts as well as the ANET contract), and some airlift in the weeks before Christmas (under still more separate contracts, as well as the ANET contract). Emery's air transportation is not limited to Priority Mail, so it is safe to assume that, like other similarly situated air carriers, the mix of mail carried by Emery includes First-Class Mail, Express Mail, Priority Mail, and some international air mail, as well as incidental amounts of other mail classes. The TRACS Eagle distribution key gives an indication of the extent to which classes of mail other than Priority Mail are carried on Eagle. The Postal Service does not have other distribution keys specific to Emery's other postal air contracts.

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- b. These are projected costs; they are not payments.

**Response of United States Postal Service
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(Redirected from witness Patelunas, USPS-ST44)**

APMU/USPS-ST44-4.

- a. There are published reports that, in May 2000, Nicholas Barranca, the Postal Service's Vice President for Operations Planning, distributed a memorandum to area vice presidents directing them to develop a strategy to transition the PMPC network back in house within a 90-day period. Please confirm the accuracy of these reports.
- b. Please explain your current understanding of efforts made to transition the PMPC back in house.
- c. Please confirm that the Postal Service is making preparations to cancel the PMPC contract with Emery and to hire Emery workers, and identify those preparations in detail. If you cannot confirm, please explain your understanding of efforts that have been made and are being planned to cancel the PMPC contract.
- d. Please confirm that preparations are underway to assume PMPC functions in house by October 1, 2000, and identify those preparations. If you cannot confirm, please explain your understanding of the efforts that have been made and that are being planned in this regard.
- e. If the Postal Service is planning to terminate the PMPC contract with Emery in the next few months, why should these costs be rolled forward into the test year?

RESPONSE:

- a. Confirmed that in May 2000, Nicholas F. Barranca, the Postal Service's Vice-President, Operations Planning and Processing distributed a memorandum to some area vice-presidents directing them to develop a plan to transition the PMPC network back in house. The area vice presidents were directed that a key assumption was that the transition must be completed within a 90-day period.
- b. As explained in the response to POIR 15, there are ongoing internal discussions and planning for a transition from the current network. However, to date, no decisions about the future network configuration have been made.

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- c. Not confirmed. The Postal Service is evaluating the possibility of canceling the PMPC contract with Emery and hiring Emery workers. However, to date, no decisions about the future network configuration or staffing have been made.

- d. Not confirmed. The Postal Service is considering assuming the current PMPC network functions in house. However, to date, no decisions about the future network configuration have been made.

- e. Not applicable.

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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August 17, 2000