

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0111**

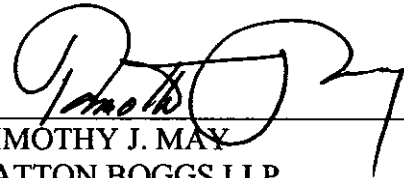
POSTAL RATE AND FEES CHANGES, 2001

Docket No. R2001-1

**FIRST INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
TO UNITED STATES POSTAL SERVICE
WITNESS JAMES P. COCHRANE (USPS-T40)**

The Parcel Shippers Association (PSA) requests United States Postal Service to respond fully and completely to the following interrogatories and requests for production of documents pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure.

Respectfully submitted,



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Counsel for Parcel Shippers Association

Dated: October 25, 2001

PSA/USPS-T40-1. Please refer to page 12 of your testimony where you discuss Test Year cost savings opportunities for the in-house PMPC network. In particular, refer to where you state, "in summary, now that the contracted PMPC concept has been taken over by the Postal Service there is a renewed effort to pursue multiple paths that can reduce costs of processing and transporting Priority Mail."

- (a) Is it your opinion that bringing the PMPC network in-house will reduce costs for Priority Mail by the Test Year? Please explain your answer fully.
- (b) Have you included any savings from the Postal Service's "renewed effort to pursue multiple paths that can reduce costs of processing and transporting Priority Mail" in Docket No. R2001-1? If so, please provide a citation to where these savings were included in the rollforward.
- (c) If the Postal Service does identify savings from these "renewed efforts" to find cost savings in the PMPC network before the closing of the Docket No. R2001-1 record, please provide copies of all analyses that the Postal Service has performed to quantify these savings.

PSA/USPS-T40-2. Please refer to page 5 of your testimony where you state, "Approximately 30 percent of all Priority volume was processed through these [PMPC] facilities." Please refer further to page 10 of your testimony where you state, "In 2001, the Postal Service opened three new PMPC test sites in Phoenix AZ, Charlotte NC, and Atlanta GA."

- (a) Will the Test Year in-house PMPC network process more Priority Mail volume than was processed in the base year under the PMPC contract? If so, please compare the amount of Priority Mail that will be processed in the Test Year by the in-house PMPC network and the amount of mail that was processed in the base year under the PMPC contract?
- (b) Will the Test Year in-house PMPC network process more total mail volume than was processed in the base year under the PMPC contract? If so, please compare the amount of total mail volume that will be processed in the Test Year by the in-house PMPC network and the amount of mail that was processed in the base year under the PMPC contract?
- (c) If your answer to part (a) or part (b) is "yes", when the Postal Service calculated the increase in mail processing and transportation costs that will result from bringing the PMPC network in-house, did it take into account the savings at mail processing plants that will result from shifting mail volume from plants to PMPCs? Please explain your answer fully.
- (d) If your answer to part (c) is no, please provide an estimate of the cost savings that will result at plants from reducing mail volumes at plants and a distribution of these cost savings to mail classes and subclasses. Also, please provide your underlying calculations.

PSA/USPS-T40-3. Please refer to the following excerpt from USPS-LR-J-49:

PMPC IN HOUSE - This program involves returning operations that had been previously contracted-out to the Postal Service. Additional operational expenses that will be incurred by

the Postal Service include: clerk and mailhandler personnel, rent, equipment repair and maintenance, and air and highway transportation.

PMPC CONTRACT - This program is the savings to the Postal Service of not continuing its contract for the PMPC network. By bringing the PMPC operations in house, the Postal Service avoids the remaining costs contained in the original contract.

Please also refer to the rows in USPS-LR-J-49, Exhibits A and B that refer to PMPCs and page 10 of your testimony where you state, "One difference has been the introduction of other mail classifications to the PMPC network to prevent facility idle time."

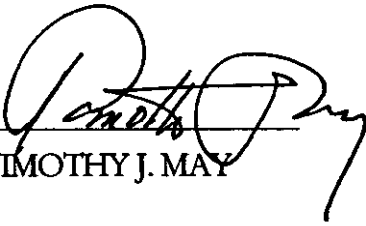
- (a) In FY 2000, were all costs for the PMPC contract attributed to Priority Mail? If "no", please explain fully.
- (b) Did the Postal Service incur any costs in FY 2000 related to bringing the PMPC network in-house or canceling the PMPC contract? If so, how large were these costs and for what activities were these costs incurred?
- (c) In its roll forward, did the Postal Service attribute all FY 2003 costs for the In-House PMPC network to Priority mail? Please explain your answer fully.
- (d) Please confirm that in the Test Year the PMPC network will process mail other than Priority Mail. If not confirmed, please explain fully.
- (e) Why did the Postal Service decide to bring the PMPC network in-house?
- (f) Please confirm that the total cost of the PMPC in-house network will be more than \$650 million (the cumulative FY 2001 and FY 2002 PMPC In-House Other Program cost) in the Test Year. If not confirmed, please provide the correct figure and explain how you calculated it.
- (g) Please confirm that the cost savings from canceling the PMPC contract will be approximately \$590 million. If not confirmed, please provide the correct figure and explain how you calculated it.
- (h) Please confirm that, according to the Postal Service rollforward in this case, bringing the PMPC network in-house results in a net cost to the Postal Service of more than \$60 million. If not confirmed, please provide the correct figure and all underlying calculations. If confirmed, please explain why bringing the PMPC network in-house costs more than the PMPC contract.

PSA/USPS-T40-4. Please identify all cost reduction initiatives that the Postal Service is currently implementing at bulk mail centers (BMCs), indicate whether the Postal Service has included the resulting cost reductions from each initiative in its rollforward, and, if so, provide a citation to where the cost reductions have been included.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served six (6) copies of the foregoing document upon the United States Postal Service by hand and by First Class Mail upon all participants in this proceeding requesting such service.

Dated: October 25, 2001


TIMOTHY J. MAY