

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
Nov 2 4 43 PM '01
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PICKETT TO INTERROGATORY OF
MAGAZINE PUBLISHERS OF AMERICA, INC.
(MPA/USPS-T17-1)

The United States Postal Service hereby provides the response of witness Pickett to the following interrogatory of Magazine Publishers of America, Inc.:
MPA/USPS-T17-1, filed on October 19, 2001.

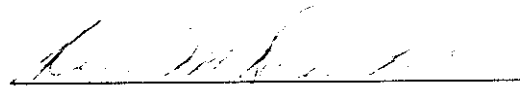
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking:



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990; Fax -5402
November 2, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS JOHN T. PICKETT TO INTERROGATORY OF
MAGAZINE PUBLISHERS OF AMERICA, INC.

MPA/USPS-TI7-1. Please refer to USPS-LR-J-43 and to Docket No. R2000-1, USPS-LR-I-60, which both calculate Base Year distance-related transportation costs.

(a) Please confirm that Base Year 2000 Amtrak costs for Periodicals are comprised of \$78.931 million of railroad passenger costs and \$1.800 million in roadrailer costs. If you do not confirm, please explain.

(b) Please confirm that Docket No. R2000-1, Base Year 1998 Amtrak costs for Periodicals were \$59.283 million. If you do not confirm, please explain fully.

(c) Please explain generally why Amtrak costs for Periodicals increased over 36 percent from \$59.283 million in Base Year 1998 to \$80.731 million (\$78.931 plus \$1.800 million) in Base Year 2000 and also answer the following specific questions regarding the apparent change in the Postal Service's use of Amtrak to transport Periodicals.

(i) By what percentage did Amtrak unit costs increase between FY 1998 and FY 2000?

(ii) What proportion of Periodicals mail was transported on Amtrak in FY 1998?

(iii) What proportion of Periodicals mail was transported on Amtrak in FY 2000?

(iv) Did the Postal Service make a policy decision to increase its use of Amtrak for Periodicals between FY 1998 and FY 2000? If so, please explain fully why the Postal Service made this decision. If not, please explain the difference between your responses to part (c)(ii) and (c)(iii) of this interrogatory.

RESPONSE

1. (a) Confirmed.

(b) Not confirmed. As originally filed, Amtrak BY 1998 costs for Periodicals were estimated at \$59.283 million, out of a total \$73.040 million in total Amtrak expenses. In response to Periodicals mailers concerns, the Postal Service conducted a special study of mail on Roadrailer. This study was described in my rebuttal testimony (USPS-RT-9) in that proceeding and a USPS Library Reference I-432 was filed provided revised Amtrak and Roadrailer cost distributions. According to these revisions, total Amtrak Periodicals costs for BY 1998 were \$56.946 million. See USPS-LR-I-432, Part A, p. 26.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS JOHN T. PICKETT TO INTERROGATORY OF
MAGAZINE PUBLISHERS OF AMERICA, INC.**

(c) In general, Amtrak and Roadrailer costs increased from \$73.040 million in BY 1998 to \$100.567 million in BY 2000. This is a 37.9 percent increase. Periodicals Amtrak and Roadrailer costs increased from \$56.946 in BY 1998 to \$80.731, or 41.8 percent.

(i) It is unclear what is meant by "Amtrak unit costs". Since the Postal Service does not retain volumetric information for Amtrak service. It is not possible to calculate a unit cost for either year.

If you are referring to simply dividing Amtrak costs by RPW volume, this calculation shows a 41 percent from 0.55 cents per piece to 0.78 cents per piece.

If you are referring to the rate per linear foot that Amtrak charges the Postal, I am told that this rate did not change from 1998 to 2000.

(ii) I do not know. No volumetric data specific to Amtrak operations are available.

(iii) I do not know. No volumetric data specific to Amtrak operations are available.

(iv) The Postal Service increased its use of Amtrak with the understanding that Amtrak provided an opportunity for superior service and value to other long-haul surface transportation alternatives, such as inter-BMC highway and freight rail. Inter BMC highway costs from Periodicals fell from \$49.266 million in BY 1998 to \$38.989 million in BY 2000. Similarly, Freight Rail Periodicals' costs fell from \$16.495 in BY 1998 to \$12.939 in BY 2000. The

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS JOHN T. PICKETT TO INTERROGATORY OF
MAGAZINE PUBLISHERS OF AMERICA, INC.

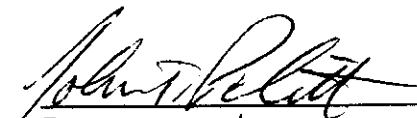
percentage of Inter-BMC highway costs attributed to Periodicals fell from 19 percent in BY 1998 to 15 percent in BY 2000. Similarly, the percentage of freight rail costs attributed to Periodicals fell from 11 percent in BY 1998 to 10 percent in BY 2000. Furthermore, freight rail and inter-BMC contracts contain inflation adjustment clauses to cover increases in fuel costs. From BY 1998 to BY 2000 diesel fuel costs increased by 66 percent. The declines in inter-BMC highway and freight rail Periodicals costs, therefore occurred at a time when the rates in these contracts were being adjusted to cover this increase in fuel costs.

It is my understanding that the increased reliance on Amtrak reflected in these data is not the result of an explicit policy decision to move more Periodicals to Amtrak. The decision to use Amtrak is typically made on a case by case basis. In some instances, use of Amtrak is considered more economical. In others, Amtrak is thought to provide better service. Moreover, I am told that some, unquantifiable portion of the increase in use of Amtrak is in response to specific customer requests to do so. Increased mailer interest in Amtrak may have been the result of Amtrak's aggressive efforts to increase its revenues from its express (i.e., freight and mail) business. These efforts were part of Amtrak's strategy to become financially self-reliant.

Finally, there was a 5.4 percent increase in weight per piece for outside county mail, which lead to a 6.2 percent increase in total pounds. These increases tend to increase all transportation costs, including Amtrak.

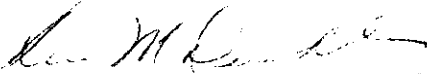
DECLARATION

I, John T. Pickett, declare under penalty of perjury the foregoing answers are true and correct, to the best of my knowledge, information and belief.


Date: 11/2/01

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.



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990; Fax -5402
November 2, 2001