

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, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF  
PARCEL SHIPPERS ASSOCIATION REDIRECTED  
FROM WITNESS COCHRANE  
(PSA/USPS-T40-3(e) and (h))

The United States Postal Service hereby provides its response to the following interrogatory of Parcel Shippers Association: PSA/USPS-T40-3(e) and (h), filed on October 25, 2001, and redirected from witness Cochrane.

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:



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November 9, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF  
PARCEL SHIPPERS ASSOCIATION  
(REDIRECTED FROM WITNESS COCHRANE)**

**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 rollforward, 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.

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- (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.

**Response:**

- (a) Response provided by witness Meehan, USPS-T-11.
- (b) Response provided by witness Meehan, USPS-T-11.
- (c) Response provided by witness Patelunas, USPS-T-12.
- (d) Response provided by witness Cochrane, USPS-T-40.
- (e) Differences of opinion and disputes arose between Emery Worldwide Airlines (EWA) and the Postal Service regarding the PMPC contract. A number of contract claims were filed by EWA against the Postal Service. The Postal Service concluded that terminating the contract would be in its best interests.
- (f) Response provided by witness Patelunas, USPS-T-12.
- (g) Response provided by witness Patelunas, USPS-T-12.
- (h) The arithmetic is confirmed. Please note however, that this result simply reflects the estimate of PMPC in-house costs minus the PMPC contract costs. As explained in part (e) of this response, Postal management concluded that terminating the contract would be in its best interests.

## 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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