

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 INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION  
REDIRECTED FROM WITNESS COCHRANE  
(PSA/USPS-T40-5-7)

The United States Postal Service hereby provides its responses to the following interrogatories of Parcel Shippers Association: PSA/USPS-T40-5-7, filed on November 16, 2001 and redirected from witness Cochrane.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys

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November 30, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTEROGATORIES OF  
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(Redirected from witness Cochrane, USPS-T-40)

**PSA/USPS-T40-5.** Please refer to pages 6, 8, and 10-11 of your testimony where you discuss the transportation of Priority Mail.

- (a) In FY 2000, what was the Postal Service's decision rule regarding when to transport Priority Mail using air transportation?
- (b) What is the Postal Service's current decision rule regarding when to transport Priority Mail using air transportation?
- (c) Taking into account your response to subpart (b) of this interrogatory, what do you expect the Postal Service's decision rule regarding when to transport Priority Mail using air transportation will be in FY 2003?
- (d) In FY 2000, what percentage of Priority Mail pounds were transported by air?
- (e) What percentage of Priority Mail pounds are currently being transported by air?
- (f) What percentage of Priority Mail pounds do you expect to be transported by air in FY 2003?
- (g) Please confirm that air transportation costs (expressed on a per-pound basis) are higher than ground transportation costs. If not confirmed, please explain fully.
- (h) In the roll forward, did the Postal Service project that the percentage of Priority Mail pounds that will be transported by air in FY 2003 will be the same as in FY 2000? If your response is not in the affirmative, please explain fully.
- (i) If the percentage of Priority Mail pounds transported by air is expected to be lower in FY 2003 than in FY 2000, please provide an estimate of the cost savings that will result from the reduction in the proportion of Priority Mail that will be transported by air. Please also provide all of your underlying calculations.

**RESPONSE:**

- (a)-(c) The decision rule for all three years in question is provided in Section 222 of Postal Service Handbook M-22, Dispatch and Routing Policy, which states,

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"The transportation policy of the U.S. Postal Service is to route the mail within the specified service windows for each class of mail, using the mode of transportation that provides the best combination of service and cost."

(d)-(f) Please see response to OCA/USPS-T28-1.

(g) Confirmed, generally.

(h) As stated in the response to OCA/USPS-T28-1, the percentage of Priority Mail that travels by air transportation is not known and has not been estimated for future years. This information is not explicitly required by the rollforward to develop Test Year costs. However, witness Hatfield (USPS-T-18) estimates total FY2003 air volume (measured in pounds) by ACT type in developing the FedEx rollforward adjustments. These estimates rely on the product volume forecasts developed by witness Tolley. Therefore, any change in the amount of Priority Mail volume requiring air transportation between the Base Year and the Test Year is due to changes in total product volumes.

(i) As described in response to PSA/USPS-T40-5h, this percentage is not known and has not been estimated for future years. Therefore, it is unknown whether the percentage of Priority Mail transported by air in FY2003 will be higher or lower than the percentage of Priority Mail transported by air in FY2000.

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**PSA/USPS-T40-6.** Please refer to pages 5-10 of your testimony where you discuss the processing of Priority Mail and page 25 of USPS-T-18 where witness Hatfield states, "As discussed by witness Spatola, the Postal Service has engaged third-party ground handling services to load and unload Fed Ex air containers at the majority of airstops on the day turn network. The cost for these ground handlers is included in the rollforward adjustment. FY 2002 projected costs for ground handling associated with the FedEx day turn network were taken from the actual ground handling contract awards."

- (a) In FY 2000, did the Postal Service load and unload air containers? If so, who (e.g., USPS employees, Emery employees) performed this task? If not, please explain your response fully.
- (b) Will the ground handling contracts reduce the requirement for the workers identified in your response to subpart (a) of this interrogatory to load and unload air containers? Please explain your response fully.
- (c) Has the Postal Service included any adjustments to reflect the savings that will result from the lower workload for the employees identified in subpart (a) of this interrogatory? If so, please provide a citation to where these savings are included in the rollforward. If not, please provide an estimate of the savings that will result from the reduced workload and also provide all underlying calculations.

**RESPONSE:**

- (a) The question is unclear. In most instances in FY 2000, there was no requirement to load and unload containers for commercial air (i.e., ASYS) carriers. In general, on the dedicated networks, contractors loaded and unloaded air containers on behalf of the Postal Service. In some limited instances, Postal Service employees performed the loading and unloading of air containers
- (b) Yes, to a degree. In some instances, Postal Service employees will perform terminal handling services (THS) that previously had been contracted out. In some instances, a new THS contractor will perform work formerly done by the

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Postal Service and/or its contractors. In other instances, the new THS contractor will perform work formerly performed by ASYS carriers.

- (c) The FedEx rollforward adjustments developed by witness Hatfield (USPS-T-18) include the additional costs for the new THS contractors as well as the reduction in costs associated with the elimination of third-party ground handling services related to the dedicated air networks that existed in the Base Year. While the new THS costs are explicitly identified in Tables USPS-T-18E and F, the reduction in third-party ground handling services for the dedicated air networks are a component of the total dedicated air costs by cost pool shown in Tables USPS-T-18A and B. In addition, other adjustments are made in the rollforward by witness Patelunas (USPS-T-12) that eliminate the costs associated with the Emery PMPC contract which includes any costs incurred to load and unload air containers under that contract.

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**PSA/USPS-T40-7.** Please refer to page 6 of USPS-T-20 where it states, "Seventh, in order to use Fed Ex assets efficiently, the Postal Service will enhance its analytical planning capabilities. Forecasted volumes by origin are required to make sure that space is used efficiently, that minimum volumes are met, and that customers' needs are taken into account. This improved quantitative approach to logistics management is expected to have positive effects on other Postal Service transportation operations." Please refer further to pages 6, 8, and 10-11 of your testimony where you discuss the transportation of Priority Mail.

- (a) Do you expect the improved quantitative approach to logistics management discussed by witness Spatola will reduce "other" Postal Service transportation costs? Please explain your response fully, provide an estimate of any cost savings you expect will result from the improved quantitative approach, and provide all of your underlying calculations.
- (b) Has the Postal Service included savings from the improved quantitative approach in its roll forward? If so, please provide a citation to where the Postal Service included these savings in the Docket No. R2001-1 roll forward.

**RESPONSE:**

- (a) The question asserts a proposition that Mr. Spatola did not make. He did not say that the quantitative approach to logistics management would reduce costs. The Postal Service believes it will help better manage logistics operations and provide more consistent and reliable service. Because the improved logistics management approach is linked to implementation of the FedEx transportation agreement, any cost savings associated with it are already included in the cost savings that result from implementation of the agreement. It is possible that this new approach will lead to additional cost savings in the future, but the Postal Service has no estimate of the likelihood or magnitude of that cost savings.

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- (b) As described in response to PSA/USPS-T40-7a, any cost savings associated with the improved management approach are already included in the cost savings that result from implementation of the FedEx transportation agreement. These cost savings are included in the rollforward as part of the FedEx rollforward adjustment developed by witness Hatfield (USPS-T-18).

## 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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