

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

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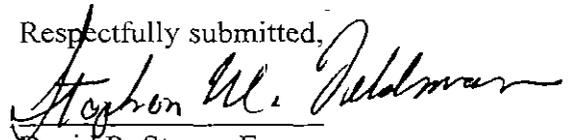
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Docket No. R97-1

THE AMERICAN BUSINESS PRESS' FIRST SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF
DOCUMENTS DIRECTED TO USPS WITNESS BRADLEY
(ABP/USPS-T13-1-17)

Pursuant to Sections 25 and 26 of the Commission's Rules of Practice, the American Business Press hereby submits the attached interrogatories and requests for production of documents to USPS Witness Bradley (ABP/USPS-T13-1-17). If the designated witness is unable to respond to any interrogatory, we request a response by some other qualified witness.

Respectfully submitted,



David R. Straus, Esq.

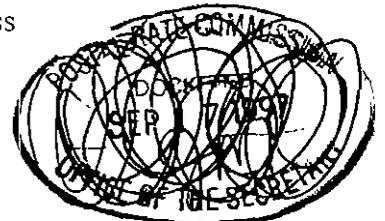
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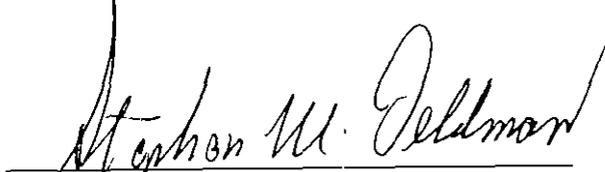
Washington, D.C. 20005

Counsel for the American
Business Press



CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing documents in accordance with Section 12 of the Commission's Rules of Practice.



Stephen M. Feldman

Dated: September 17, 1997

FIRST INTERROGATORIES
OF AMERICAN BUSINESS PRESS (ABP)
TO USPS WITNESS MICHAEL D. BRADLEY (USPS-T13)

ABP/USPS-T13-1

[a] Do you re-confirm your testimony (TR2/423-516) in Docket MC93-1 (second-class pallet discount) that there is a “distance taper” that applies to purchased transportation costs? If you do not confirm, please explain.

[b] Please define the term “distance taper.”

[c] If you still believe that there is a distance-taper that applies to second-class (periodical) purchased transportation costs, identify if, where and how it was recognized in this filing.

ABP/USPS-T13-2

Please refer to p. 4 of your testimony where you state that the USPS system of cost accounts for purchased highway transportation segregates accrued costs by type of transportation. For each separate account to which you refer on p. 4 (e.g. inter-BMC), please provide the purchased highway transportation costs for regular-rate periodicals in BY 1996, FY 1997 and 1998 (e.g. as projected by Witness Patelunas, USPS-T-15, Exhibit USPS-15B, Exhibit USPS-15H).

ABP/USPS-T13-3

On pp. 7-8 of your testimony, you refer to discussions you have had with USPS managers that convinced you that the “general structure” of the USPS highway transportation network remains basically the same as it was in 1986.

[a] Are requirements for contractors to bid for and to secure highway contracts from USPS the same today as in 1986? If they are not, please identify all changes in bid procedure and contractor qualifications, the date of such changes, and the reasons for such changes.

[b] Identify and produce all studies performed by USPS, or at the direction of USPS, or by GAO since January 1995 for the purpose of evaluation of the USPS transportation contract bid procedure, including but not limited to highway transportation.

ABP/USPS-T13-4

You state that operational changes since Docket R87-1 have not had a major impact on the purchased transportation network (USPS-T-13, at 8).

[a] Please refer to USPS’ response to ABP/USPS-6(c).

Has the operational change in Area Distribution Center (ADC) functions had a major impact on the purchased transportation network, in particular as to how periodicals are transported by USPS? Describe these changes.

[b] If your answer to [a] is no, did the elimination of SDC facilities have a major impact on the cost, service or cubic-foot-miles recorded by USPS purchased transportation that was re-routed as a result of the changes?

[c] Have the “numerous revisions” to labeling lists described in ABP/USPS-6(d) had a major impact on the purchased transportation network. Explain the impact, if any, and if there was no impact, explain why.

ABP/USPS-T13-5

Is a highway trip between a BMC and an ADC classified for cost allocation as “inter-BMC” or “inter-SCF,” or are other designations used?

ABP/USPS-T13-6

[a] Have dropship discounts adopted by USPS for Standard A mail had “a major impact,” to use your phrase (p. 8), on the growth of Standard A highway costs? Quantify and explain any yes or no answer.

[b] Has the adoption of an SCF discount for periodicals in Docket R87-1 had a “major impact” on the purchased transportation network? Quantify and explain a yes or no answer.

ABP/USPS-T13-7

Your testimony on p. 9 states that, since Docket R87-1, USPS has tried to direct First-class mail from air transportation to surface transportation when feasible.

[a] Confirm and explain why, in FY 1995, highway costs for First-class were about 43% of the cost of domestic air; and in 1996, surface First-class was 62% of domestic air costs for first-class mail.

[b] When USPS buys surface purchased transportation used by First-class mail, does it utilize space in trucks or trailers also utilized by periodicals or standard mail?

[c] Does first-class mail have priority over periodical mail in the following examples of purchased transportation:

[1] more direct routing to destination SCF?

[2] more stops to pickup or unload mail?

[3] priority in being loaded into a truck leaving a facility at which there is also periodical mail ready to be trucked out of the facility at the same time or even before the first-class volume is processed for shipment to an identical destination as the periodicals?

ABP/USPS-T13-8

On p. 8, line 7 you state: “Contracts continue to be bid in the same way; contracts still last for four years.”

[a] Describe, in your own words, the contracts bid procedure, and what criteria are used to select a contractor. Reference to a prior proceeding is not a responsive answer.

[b] Is a contract automatically renewed or is it always competitively re-bid after four years?

[c] How many USPS highway contractors hold (1) more than 500 contracts (2) 250-500 (3) 100-250 (4) 50-100 (5) 25-50 (6) 10-25 (7) 1-10?

[d] Why is four years the term for a purchased highway contract?

[e] Are four-year contracts between shippers and over-the-road freight companies the rule in the American trucking industry?

[f] Do four year contracts result in year-to-year highway contract costs paid by USPS that are higher or lower than long-haul (interstate) highway carriers charge commercial customers?

[g] If USPS year-to-year purchased highway costs are higher than trips of similar or identical length made by private-sector cost freight highway carriers, why are they higher? If however USPS costs are lower, please verify this. Your response should cover each year from 1994 to the present time.

ABP/USPS-T13-9

While you state that the increased use of surface transportation by First-class mail (p. 9) is "simply an increase in volume and not a change in operating structure," if First-class mail has delivery requirements that require dispatch, and transportation and delivery in fewer days than other classes, is it possible that additional transportation capacity will be added to the surface highway network not because of added volume, but because of the scheduling of necessary to meet First-class service standards?

ABP/USPS-T13-10

[a] Did "the addition of more volume" to the existing network (p.9) in connection with First-class mail since R87-1 cause the significant annual increases in highway contract accounts?

[b] How much (in pounds and pieces) did First-class mail (letters, presort letters, postal cards) use purchased highway transportation in FY 1987? How much in FY 1996?

[c] How much did second-class regular rate volume (in pounds and in pieces) use purchased highway transportation in FY 1987? In FY 1996?

[d] How much did second-class outside the county volume (pounds and pieces) use purchased highway transportation in FY 1987? In FY 1996? (Outside the county means all regular rate, classroom and nonprofit subclasses.)

ABP/USPS-T13-11

You state on p. 9 that dropshipping to “destination facilities” requires “less postal service transportation.” By less, do you mean

[a] fewer trucks?

[b] less total capacity in trucks if volumes of a dropshipped subclass remain constant and if added volumes are dropshipped to at least the same extent as the original volumes measured?

[c] lower overall purchased transportation costs for a subclass, part of which may be dropshipped?

[d] that the weight and density per piece of dropshipped volumes must remain constant for your statement to be true?

[e] that no USPS transportation is used for intra-SCF trips, assuming dropship to “destination facilities” means SCF and/or ADC facilities. If destination facilities mean only delivery stations or rural post offices, please so state.

ABP/USPS-T13-12

[a] Identify “certain parts of the purchased highway transportation network” (p. 9) that you claim have been reduced by growth in dropshipping, and would be reduced by future increases in dropshipping. By “parts,” do you mean facilities, cubic capacity, costs, or all of the preceding?

[b] If dropshipping requires less Postal Service transportation, why is the “highway transportation network...basically the same as in 1986” (p. 8)?

ABP/USPS-T13-13

[a] USPS Library Reference H-3 (FY 1996 Final Adjustment Report, FY 1996) at p. 44 shows that total attributable highway costs (seg. 14.1) were \$1,223,869,000, but that there were also \$317,781,000 in non-attributable highway costs (26% of total highway costs). How does dropshipping affect the 26% of total highway costs that do not vary with volume?

[b] What, in your opinion, is the primary reason 26% of total highway costs are non-attributable, whereas air, railroad and water transportation are nearly 100% attributable? Id.

ABP/USPS-T13-14

On p. 10, in referring to dropshipping, are you referring to third-class (standard), second-class mail (periodical), to other subclasses, or all of the preceding types of mail?

ABP/USPS-T13-15

[a] To use your phrase (“radical realignment”), has there been “any radical realignment” (p. 9) of the highway network since 1990?

[b] Plant load costs were 3.9% of accrued highway transportation costs in 1990, and 2.4% in 1995. Is this a major or a minor change?

[c] Have there been major or minor changes between 1990-1995 to the inter-SCF and inter-BMC accounts, which together represented 39.4% of accrued highway costs in 1990, and 36.5% in 1995, based on the table on p. 11 of your testimony?

[d] The same table on p. 11 shows intra-SCF mail as 41.4% of accrued cost in 1990, and 42.7% of accrued cost in 1995. Is this a major or minor change? Is the average cost per cubic-foot-mile higher for the intra-SCF account than for (1) the inter-SCF account and (2) the inter-BMC accounts?

ABP/USPS-T13-16

On p. 33 you state that plant-load contracts typically require tractor trailers. You also state that the estimated variability for plant-loads is 88%, which "is quite similar to other tractor trailer types of transportation."

[a] Are there data that show the average length of haul of a plant load trip? If so, please provide the data and explain how the data were obtained.

[b] If your answer to [a] is no, please compare other highway cost accounts with plant load trips and select which account (e.g. inter-SCF) you believe is most comparable in cost per cubic-foot-mile and/or distance to plant loads.

ABP/USPS-T13-17

[a] Please explain and elaborate upon your statement on p. 37 as follows:

"Not surprisingly the cost per cubic-foot-mile is also much smaller for the tractor trailer contract cost segments in both accounts" (inter-SCF and intra-SCF).

[b] Confirm and explain why the cost per CFM for inter-SCF trailers is \$903 per CFM less than intra-SCF vans and \$683 per CFM less than inter-SCF vans.

[c] Identify by subclass the volume (in pounds) per year of mail that travels in inter-SCF straight body trucks as compared with the volume by subclass that travels in inter-SCF tractor trailers.

[d] Please substitute inter-BMC for inter-SCF for question [c] above, and provide the same kind of information requested.