

DOCKET SECTION

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

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE MCGRAW HILL COMPANIES, INC. (MH/USPS-5(B), 6(A)-(B), 7(A), 8(A), 9)

The United States Postal Service hereby provides responses to the following interrogatories of The McGraw Hill Companies, Inc.: MH/USPS-5(b), 6(a)-(b), 7(a), 8(a), and 9, filed on September 17, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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October 1, 1997

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MCGRAW-HILL COMPANIES

MH/USPS-T2-5. With reference to your testimony on p. 2:

- (a) Please explain fully the parameters that determine the amount to be paid under purchased highway contracts (e.g., per mile, per trip, per year, etc.).
- (b) Please state whether route information for all destinations on all trips under all highway contracts is available in NASS, and whether route costs for all highway contracts are listed in the accounting files. If not, why not?
- (c) Please explain fully how random selection of mail on randomly selected contract route destination-days is likely to provide an accurate forecast of costs. How are seasonal fluctuations accounted for?

Response to MH/USPS-T2-5.

- (a) Answered by witness Bradley.
- (b) All route information for all destinations for regularly scheduled contracts is available in NASS. To the extent that a contract is active and payments have been made on a contract, its estimated annual and paid-to-date route costs will be included in the accounting files.
- (c) Answered by witness Nieto.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MH/USPS-T2-6. With reference to your testimony on p. 3:

- (a) Please explain fully the parameters that determine the amount to be paid for freight rail transportation.
- (b) Please state whether information for all rail movements of mail are included in RMIS. If not, why not?
- (c) Please explain fully how random selection of mail on randomly selected rail vans is likely to provide an accurate forecast of costs. How are seasonal fluctuations accounted for?

Response to MH/USPS-T2-6.

- (a) The Postal Service pays for freight rail service based on the cost per van on each origin-destination segment times the number of vans actually moved on the segment. In addition, the Postal Service pays a fee for the use of larger vans and for early arrivals, and charges a fee for late arrivals. There are some segments which have guaranteed minimums, usually one trailer per day.
- (b) RMIS contains all the potential movements which the Postal Service has available for the purpose of moving mail as needed.
- (c) Answered by witness Nieto.

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MH/USPS-T2-7. With reference to your testimony on p. 4:

- (a) Please explain fully the parameters that determine the amount to be paid under domestic air transportation.
- (b) Please explain fully how random selection of mail on randomly selected flight days is likely to provide an accurate forecast of costs.

Response to MH/USPS-T2-7.

- (a) For commercial passenger air, the Postal Service pays a specified negotiated rate for terminal handling (per-pound charge) and linehaul (per pound-mile charge). For network air (Eagle, Western, and CNET) the Postal Service specifies capacity between city-pairs, and pays based on the cost of providing that service plus terminal handling. Please refer to the response to NDMS/USPS-T33-28-29 for a more detailed discussion of air transportation rates.
- (b) Answered by witness Nieto.

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MH/USPS-T2-8. With reference to your testimony on p. 7:

- (a) Please explain fully the parameters that determine the amount to be paid for passenger rail service.
- (b) Please explain fully how random selection of mail on randomly selected train-segment days is likely to provide an accurate forecast of costs.

Response to MH/USPS-T2-8.

- (a) The Postal Service contracts for passenger rail service based on a linehaul charge for a specified quantity of space between a city-pair. The Amtrak contract also guarantees that, regardless of mail volume, we will pay the contractor for a minimum amount of space on the movement. The contractor assures that this minimum space is available for postal use. When more space is used, the rate is paid on a cost per linear-foot.
- (b) Answered by witness Nieto.

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MH/USPS-T2-9. With reference to your testimony on p. 6, lines 3-6: "Previously, the Eagle and Western Network distribution keys were calculated on a cubic-foot mile basis. Consistent with the incremental cost methodology proposed in this docket, the Eagle and Network distribution keys are now calculated on a pound-mile basis".

(a) Please confirm that the distribution keys for purchased highway transportation, freight rail transportation, and commercial air transportation are based on cubic-foot miles. To the extent you confirm, please explain why the distribution keys are not calculated on a pound-mile basis, and how this affects the accuracy of the cost distributions.

(b) Please explain to the extent which, and the reasons why, the distribution key for passenger rail service is based on square-foot miles (as indicated in your testimony at p. 7 line 12) rather than cubic-foot miles or pound-miles. Please explain how this affects the accuracy of the cost distributions.

Response to MH/USPS-T2-9.

(a) Confirmed for highway and freight rail, not confirmed for commercial air transportation. Cubic-foot miles continues to be the cost driver for highway and freight rail transportation, not pound-miles. Commercial air costs continue to be distributed on a pound-mile basis.

(b) The Postal Service pays for passenger rail service on a square-foot mile basis, therefore the distribution of these costs is based on square-foot miles rather than cubic-foot miles or pound-miles. It is more accurate to distribute the costs of a particular mode of transportation on the basis of cost incurrence than on some other basis.

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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October 1, 1997