

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF
AMERICAN BUSINESS PRESS REDIRECTED FROM
WITNESS BRADLEY (USPS-T-13)
(ABP/USPS-T13-3, 4, 6, 7(c) AND 8(b) and (d)-(g))

The United States Postal Service hereby provides responses to the following interrogatories of American Business Press: ABP/USPS-T13-3, 4, 6, 7(c), and 8(b) and (d)-(g), filed on September 17, 1997 and redirected from witness Bradley (USPS-T-13). An objection to interrogatory ABP/USPS-T13-8(c) was filed on September 29, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 1, 1997

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY
FROM
AMERICAN BUSINESS PRESS
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ABP-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.

RESPONSE

a. Yes.

b. No such studies exist.

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ABP-T13-4 You state that operational changes since Docket R87-1 have not had a major impact on the purchased transportation network (USPS-T13, 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.

RESPONSE

a. While it is difficult to know what exactly you mean by "major", the answer to your question is a qualified no.

b. A unique transportation network was never set up to provide service for periodicals from the SDC or the present ADC. Therefore, when there was the transition to the ADC network, there was no impact on the cost for this service. No study has been done of changes in cost, service or cubic foot-miles of purchased transportation resulting from the change from SDCs to ADCs.

c. No, changes to the labeling lists primarily affect distribution operations, not purchased transportation.

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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.

RESPONSE

(a) The Postal Service believes that destination entry discounts have reduced highway costs for Standard A mail. The Postal Service has not quantified retrospectively these effects for the more than six years since the inception of destination entry discounts. Library Reference H-111 contains the Postal Service's estimated cost savings from destination entry discounts in this case. The Postal Service has presented similar studies in past cases beginning in Docket R90-1.

(b) The Postal Service believes that destination SCF entry discounts have reduced highway costs for Periodicals mail. The Postal Service has not quantified retrospectively these effects for the years since the inception of destination entry discounts in 1985. Library Reference H-111 contains the Postal Service's estimated cost savings from destination entry discounts in this case. The Postal Service has presented similar studies in past cases.

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ABP-T13-7(c) Does first-class mail (sic) 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?

RESPONSE

(1) No. Periodical mail which shares surface transportation with First-Class Mail generally will receive these same direct routings.

(2) No. Class of mail does not factor into number of stops.

(3) In practice, this could happen occasionally. If this happens frequently, transportation requirements will be examined and adjusted accordingly.

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ABP-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 rebid 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 (sic) 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.

RESPONSE

a) Answered by witness Bradley.

b) *Contracts are not automatically renewed. If the Postal Service determines that there is a continuing need for the service, the performance has been good, the supplier is interested in renewal, an agreement on the term and conditions for renewal can be reached, and the proposed renewal price is determined to be reasonable by the contracting officer, a contract may be renewed. In order to determine price reasonableness, the contractor's proposed renewal price is compared with market prices. See the Postal Purchasing Manual Section 4.5.6.*

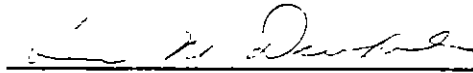
c) An objection has been filed to this interrogatory.

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- d) The four year term seems to be a reasonable amount of time to reevaluate the need for the service and perform a detailed analysis of the price as it relates to the market. Furthermore, the four-year term has been found historically to be mutually beneficial for contractor and the Postal Service as discussed in the testimony of witness Orlando in Docket R80-1 (USPS-RT-6 at 25-28).
- e) The Postal Service has not studied the duration of contracts between shippers and over-the-road freight companies in the American trucking industry.
- f) The Postal Service has not studied this issue.
- g) The Postal Service has not studied this issue.

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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