

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

MAIL PROCESSING NETWORK
RATIONALIZATION SERVICE CHANGES, 2012

Docket No. N2012-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS BRADLEY
TO APWU INTERROGATORIES APWU/USPS-T10-6 AND 8-11
(February 16, 2012)

The United States Postal Service hereby provides the responses of witness Michael Bradley to the above-listed interrogatories of the American Postal Workers Union. Each interrogatory is stated verbatim and followed by the response. Interrogatory APWU-USPS-T10-7 has been redirected to the Postal Service for an institutional response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS BRADLEY TO APWU INTERROGATORY

APWU/USPS-T10-6

You have used the accrued cost of HCR transportation in your calculation of HCR costs. Do these accrued costs include:

- a) all fuel costs associated with HCR transportation and paid for by the Postal Service? If not, where are those fuel costs accounted for?
- b) all Postal Service costs associated with tracking and reconciling HCR fuel costs against contracts and purchasing standards? If not, where are those costs accounted for?
- c) all other Postal Service costs associated with managing HCR routes? If not, where are those costs accounted for?
- d) all payments related to extra trips or other exceptional services performed by the HCR contractors? If not, where are those costs accounted for?
- e) all payments related to changes the contract terms related to HCR contracts? If not, where are those costs accounted for?

RESPONSE:

- a. Yes.
- b. No. The accrued costs include all payments made to contractors to traverse the route. The decisions regarding the specific terms of the contracts are generally by Contract Officers who are employed at the Area Level. I am informed that those costs are included in Cost Segment 18.
- c. No. There is a small amount of hours in LDC 30 and LDC 31 that are associated with managing HCRs. Managers covered by LDC30 and LDC 31 need to be aware of HCR activities and schedules so that they can be adjusted if a situation arises (e.g. vehicle breakdown).
- d. Yes.
- e. Yes

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS BRADLEY TO APWU INTERROGATORY

APWU/USPS-T10-8

In estimating the additional HCR costs shown on Table 14, have you used the average accrued costs for all Intra-P&DC routes or just for ones that are in the geographic areas listed in USPS-LR-N2012-1/22?

RESPONSE:

I used the accrued costs for all P&DC routes.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS BRADLEY TO APWU INTERROGATORY

APWU/USPS-T10-9

There is a wide variation in the cost per mile of the routes listed in USPS-LR-N2012-1/22.

- a) Please explain the factors that result in this variation in cost.
- b) From your experience, what impact, if any, does the urbanization or population density of the area in which the route is performed have on the cost?
- c) Since historically the PVS routes were assigned to the more densely populated areas and the HCR routes to the less densely populated areas, is there a still a significant difference in the average number of miles each type of route covers?

RESPONSE:

- a. I am informed that there are numerous components that explain the cost per mile for a given PVS location. They include average wage, traffic, vehicle size, and average route distance. Generally, however, the distance of the route is the main driver of cost per mile, as the shorter the average route distance the higher the cost per mile.
- b. My understanding is that urbanization or population density has a relatively minimal impact due to the fact that many plants, stations, and branches have been at their current locations for a long period of time. This means that the distance between destinations has also remained stable even through urbanization. However, densely populated areas generally do have slightly higher cost per mile due to traffic, which results in additional fuel costs and work hours, but these are not considered nearly as significant as average route length.
- c. My understanding is that the PVS routes are generally shorter than short-haul HCR routes, but I am unable to say if it is a significant difference.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS BRADLEY TO APWU INTERROGATORY

APWU/USPS-T10-10

Are all the activities performed under LDC 30, LDC 31 and LDC 34 related directly to PVS routes? If not, please list the activities performed in these LDCs and identify which are not directly related to PVS routes.

RESPONSE:

Yes, they are directly related to PVS routes. All LDC 34 hours are exclusively related to PVS operations. It is possible that a portion of the hours in LDC30 and LDC31 are related to higher level transportation managers whose duties include ensuring the efficient transportation of mail. As a result, this subset of the LDC hours may include a small amount of involvement dealing with HCR. However, the main responsibility for employees in LDC 30 and 31 is PVS.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS BRADLEY TO APWU INTERROGATORY

APWU/USPS-T10-11

In assessing the hours and wage costs in your analysis,

- a) did you take into account any changes in the 2010 APWU contract that impacted the average hourly wage cost for PVS service?
- b) what percentage of temporary PVS employees with no associated legacy costs did you assume would be employed if the work were to be performed by the PVS?
- c) did you take into account any changes that the Postal Service has undertaken to reduce the number of PVS and HCR routes because of USPS OIG audit findings?

RESPONSE:

- a. The baseline for my analysis is the actual hours and costs from FY2010. To the extent the changes you mention in the question impacted those hours and costs, they would be included in the analysis.
- b. I made no assumption either way. My analysis is based upon witness Martin's determination that the PVS sites will close when their associated P&DC is closed and that this transportation responsibility will be transferred to Highway Contract Routes.¹
- c. The baseline for my analysis is the actual hours and costs from FY2010. To the extent the changes you mention in the question impacted those hours and costs, they would be included in the analysis.

¹ See, "Direct Testimony Cheryl D. Martin on Behalf of the United States Postal Service" (USPS-T-6), Docket No. N2012-1 (Dec. 5, 2011), at Section II B.