

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, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
MAGAZINE PUBLISHERS OF AMERICA
(MPA/USPS-53-61 and 62-64)

The United States Postal Service hereby provides its responses to the following interrogatories of Magazine Publishers of America: MPA/USPS-53-61 and 62-64, filed on May 8, 2000. A partial objection to interrogatory MPA/USPS-60 was filed on May 18, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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May 22, 2000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA**

MPA/USPS-53 (Follow-up to MPA/USPS-16). Please explain why the values on Lines E1 and E2 of the Attachment do not sum to the figure of \$314,689,557.06 shown as the "Sub-total". Please provide the definition(s) and value(s) for any missing data item(s). Please supply documentation of administrative standards and procedures governing the practice and limitations on financial terms associated with contract renewals.

RESPONSE

The attachment contains the results of a data entry error. The figure \$241,123,748.73 should have been \$266,050,448.73. With this change, the subtotal on the attachment reconciles with the two lines above it. For documentation, see the attached excerpt from the Purchasing Manual.

related requirements determined to be in the best interest of the Postal Service.

4.5.5.e *Alternatives to Contracts.* The following may be used to obtain mail transportation services:

1. *Domestic Air Transportation Services.* Transportation of mail between points within the state of Alaska performed by scheduled air carriers and paid for at rates of compensation established by the Department of Transportation in its service mail rate orders (30 U.S.C. 5402(f)).
2. *International Ocean Transportation.* International ocean transportation services may be obtained on a per-pound basis by tender. Mail of all classes and empty mail equipment may be tendered to U.S. and foreign-flag steamship companies for transportation in accordance with the scheduled rates Exhibit 4.5.5, unless the responsible Manager has negotiated other rates. Mail may be tendered at postal facilities for transport by the steamship company to the pier, or at the carrier's facility. The schedule or negotiated rates include any costs incurred for such transport.
3. *International Air Transportation.* International air transportation services other than those for which the Postal Service has contracting authority under Title 39 U.S.C. 5402(a) and (b) and 49 U.S.C. 1375(e)(5) must be obtained from carriers with permits and reimbursed pursuant to Department of Transportation service mail rate orders as long as it is required by law.

4.5.6 **Renewal of Contracts**

4.5.6.a *General.* Competitively awarded regular and temporary mail transportation contracts may be renewed by the mutual agreement of the Postal Service and the supplier. Regular or temporary highway and inland water contracts that have been wholly subcontracted less than six months before their expiration date (except those subcontracted by an immediate family member of a deceased or incompetent supplier) may not be renewed. Wholly subcontracted contracts that have been in effect for greater than six months are eligible for renewal and may be renewed by mutual agreement between the Postal Service and the subcontractor, by which the subcontractor becomes the prime supplier under the renewal contract.

4.5.6.b *Characteristics of Renewal Contracts*

1. *Duration.* The renewal term of a temporary contract may not exceed two years, and the renewal term of a regular contract may not exceed the greater of four years or the original contract term.
2. *Service.* The service provided at the beginning of the renewal term must be the same as that existing at the end of the previous contract term.
3. *Contract Rate.* The contract rate at the beginning of the contract renewal term must be the contract rate in existence at the end of the previous contract term.

4.5.6.c Renewal Procedures

1. **Establishing Requirements.** Before entering into discussions for the renewal of a contract, the purchase team must determine the need to be met by the renewal contract and a reasonable rate for the service which will meet that need.
2. **Determining Satisfactory Service.** Contracts should not be renewed with suppliers who are currently providing less than satisfactory service. Faults in service which do not rise to the level of deficiencies and thus would justify termination for default, may be sufficient to support a determination not to renew.
3. **Negotiating Service and Price.** Having determined that a contract is appropriate for renewal, the contracting officer with the assistance of the purchase team enters into discussions with the supplier on the terms of the renewal contract. Before agreeing to the final terms, the purchase team must determine that renewal offers the best value and most advantageous alternative to the Postal Service, price and other factors considered. For the purpose of this determination, "other factors" may include the benefits of continuity of service and the potential costs of disruption arising out of resolicitation.
4. **Contract Modifications, Renewal, Resolicitation.** If agreement is reached on the renewal terms, the existing contract is modified to reflect any adjustments in service and rates. If a contract will not be renewed, or terms for renewal cannot be agreed upon in whole or in part, any continuing service requirement may be the subject of a new competitive solicitation.
5. **Documentation.** The determinations made throughout the renewal process must be thoroughly documented in the contract renewal file.

4.5.6.d **Restrictions.** Emergency contracts may not be renewed.

4.5.6.e **Clause.** Clause B-78, *Renewal*, must be included in transportation contracts that may be considered for renewal.

4.5.7 Extension and Short-Term Renewal of Contracts

4.5.7.a When appropriate, contracting officers may issue modifications extending the term of a contract, as distinct from the renewal of a contract (see 4.6.6).

4.5.7.b The contract term may be extended in increments of up to one year, provided the extension does not result in a total term of more than two, four, or six years, whichever is the allowable maximum contract term. The extension must be made with the consent of the supplier by a supplemental agreement (see 6.5.1.c), and the need for the extension must be documented in the contract file.

4.5.7.c Pending full renewal in accordance with 4.5.6, an expiring contract that is eligible for renewal may be renewed for short terms of up to one year by mutual agreement of the parties. When the full renewal is approved, the short-term renewal may be converted into a full-term renewal to cover the full remaining term of the contract.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA**

MPA/USPS-54 (Follow-up to MPA/USPS-17c). Regarding the "study of transportation utilization" referenced in the response to 17c, please describe the scope of work and provide the estimated date of completion for this study. Regarding the "reductions in unutilized capacity" referenced in the response, please provide the best available estimate of dollar savings by transportation mode and cost account that are expected to result from these reductions in FY01. For any such dollar savings estimates that are not available, please indicate when they are expected to be available. For each dollar savings estimate that is supplied, please indicate the proportion that is already reflected in the Postal Service's development of test year costs, and provide corresponding documentation.

RESPONSE

Although the scope of the study will ultimately cover the entire network, the transportation utilization study is in its infancy and, therefore, no savings have been identified. The effort involves reviewing utilization on a city-by-city and route-by-route basis. After the feasibility phase, which is now underway, additional testing will be performed at major P&DCs and BMCs. Completion of the study is targeted for the middle of FY 2001. No savings from this effort have been included in the development of test year costs.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA**

MPA/USPS-55 (Follow-up to MPA/USPS-23). Please confirm that Amtrak Roadrailleurs are used by USPS in service that is most analogous to inter-SCF highway transportation, If not confirmed, please explain.

RESPONSE

The Postal Service has no data on the mix of mail on Roadrailleurs. It is generally thought that Roadrailleurs may be used for mail with a three-day service commitment (such as certain First-Class Mail), and for other time-sensitive mail that originates in bulk at sites, such as printing plants, that are not adjacent to an Amtrak route. Roadrailleurs are a hybrid service that combines operational aspects of freight rail with service responsiveness of direct long-haul highway transport.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA**

MPA/USPS-56 (Follow-up to MPA/USPS-30). Regarding the \$100 million future cost reduction referenced in the response, please provide the best available estimate of dollar savings by cost account that are expected to result in FY01. Please identify the proportion of each dollar savings estimate that is already reflected in the Postal Service's development of test year costs, or in the response to the follow-up to MPA/USPS-17c. Please provide corresponding documentation.

RESPONSE

The reduction of \$100 million is dependent on the Postal Service implementing a fuel management program, achieving reduction in trailer leasing, and reduction in overall transportation miles traveled. These are targets, not savings estimates.

No estimates in total or by account have been made for FY 2001 or are included in the test year.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO FOLLOW-UP
INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC.**

MPA/USPS-57 (Follow-up to MPA/USPS-31b.) Please provide all documentation of the magnitude of highway cost increases and rail cost decreases associated with any conversion of freight rail traffic to highway contracts that is incorporated in the development of test year costs. Please provide documentation of the magnitude of any other cost increases that are projected in the test year as a result of changes in freight rail characteristics.

Response

There are no cost changes in the development of test year costs associated with any conversion of freight rail traffic to highway contracts. There are no cost changes in the development of test year costs associated with changes in freight rail characteristics.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA**

MPA/USPS-58 (Follow-up to MPA/USPS-44). For Amtrak capacity procured on a linear foot basis, please provide the best available estimate of the proportion of procured Amtrak linear feet associated with each type of equipment. alternatively, please provide the best available estimate of the cubic feet per linear foot relied upon by the Postal Service in dispatching mail for movement in the Amtrak capacity it procures on a linear foot basis.

RESPONSE

The requested estimates are not available.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA**

MPA/USPS-59 (Follow-up to MPA/USPS-45). Please provide the best available estimate of dollar savings by cost account that is expected to result in FYO1 from the anticipated process improvements, cycle time reductions, and possible unit cost reductions. Please identify the proportion of each dollar savings estimate that is already reflected in the Postal Service's development of test year costs, or in the responses to other interrogatories. Please provide corresponding documentation.

RESPONSE

In the transportation area, no cost savings have been identified at this time. As mentioned in the response to MPA/USPS-54, process improvement initiatives of this sort in the transportation area are in their early, developmental stages. No savings estimates in total or by account are available.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA**

MPA/USPS-60 (Follow-up to MPA/USPS-46). Please provide a copy of PS Form 5366, with associated instructions, Please provide the summary Amtrak utilization data derived from Form 5366 in whatever format such data were made available to postal transportation management personnel in BY98.

RESPONSE

A partial objection was filed on May 18, 2000. See the attached copy of the on-line Form 5366 and instructions.

United States Postal Service
Railroad Station Mail Report

1. Arrival Time and Date		2. Departure Time and Date		3. Train Number		4. Road Letter <input type="checkbox"/> Yes	
6. Signature of Transfer Clerk				7. Station			
5. <input type="checkbox"/> Origin <input type="checkbox"/> Destination <input type="checkbox"/> Intermediate		11. Arrived Mail		12. (-) Unloaded		13. (+) Loaded	
8. Origin		9. Destination		10. Arrl. Car or Road Letter No.		11. Arrived Mail	
Pallets		OTR		Other		Pallets	
OTR		Other		Pallets		Other	
14. (=) Not Leaving Station		15. Remarks		OTR		Other	
17. Total OTRs & Other Crtn		18. Pallets		19. Total Feet		20. Authorized Feet	
= Fl		= Fl		=		=	
18. Total Units On and Off		19. Total Feet		20. Authorized Feet		21. Difference	
←		←		←		←	
22. Empty Containers On and Off		23. Footage Conversion Factors		No. OTR/Crtns x 2.7272 = Feet		No. Pallets x 2.1428 = Feet	

ATTACHMENT
 MPA/0505-60
 PAGE 1 OF 2

This form must be completed by postal personnel for every AMTRAK train for each station stop that dispatches or receives mail.

ATTACHED
MAILS - 60
DATE 2 OF 2

1-2. **Heading** - Fill in proper information, which is self-explanatory.

3. **Train Number** - Clearly enter train number. If uncertain of the train number, refer to the Amtrak Schedule.

4. Self explanatory.

5. **Origin/Intermediate/Destination** - Check one of the boxes marked origin, destination, or intermediate.

6-9. Self explanatory.

10. **Amr Car No.** - Enter car number (numerals only) clearly in the appropriate field.

11-13. **Arrived Mail/Unloaded/Loaded** - Self-explanatory.

Definitions:

a. **Pallets** - Enter number of pallets including cardboard boxes on pallets such as Postal Paks and gayloads.

b. **OTR** - Enter number of OTRs.

c. **Other** - Enter number of other types of containers.

14. **Net Leaving Station** - Arrived mail minus unloaded mail, plus loaded mail, equals net leaving station. Show net pieces, number of feet, and number of containers leaving station.

15. **Remarks** - Explain any irregularities and for local instruction. Number of units loaded or type of units loaded must never be entered in this column.

16. **Total Pieces ON and OFF** - Show total number of pieces loaded and unloaded and net pieces leaving station.

17 - 21. Self explanatory.

22. **Empty Containers ON and OFF** - Show total number of containers loaded or unloaded and net empty containers leaving station.

After proper completion, and no later than 30 days after departure of the train, send a legible copy of this form to:

MANAGER
TRANSPORTATION MODAL OPERATIONS AND REQUIREMENTS
UNITED STATES POSTAL SERVICE
475 L'ENFANT PL RM 7912
WASHINGTON DC 20260-7137

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-61 (Follow-up to MPA/USPS-T1-12). Please confirm that the figure of 34 percent applies to rail movements whose costs accrue to account number 53143. If not confirmed, please explain. For the (100-78=) 22 percent of non-BMC movements that are not for empty equipment, please indicate the origin and destination facility types that are most commonly served.

RESPONSE

Not Confirmed. The costs associated with empty equipment movements accrue to account number 53192 – the Rail Empty Equipment account. For the twenty-two percent of non-BMC movements that are not for empty equipment, the most commonly served origin and destination facility types are Plant Loaded – BMC (10%) and Plant Loaded – non-BMC (9%).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-62. In USPS-LR-I-50 at page 24, total FY98 Amtrak train costs are shown to be \$61,537,184.28. In USPS-LR-I-1 at page 77, accrued costs for account 53142 (Passenger Train Line Haul Service) are shown to be \$73,031,244. Please itemize the factors that account for the difference between these two figures, including, but not limited to, movement of Roadrailleurs on Amtrak. Please supply the accrued costs associated with each such itemized factor.

RESPONSE

The total FY98 Amtrak train costs shown in USPS-LR-I-50, at page 24 are \$61,537,184.28. The source of this number is the Amtrak footage contract that was effective January 1, 1997. This cost is used solely for sample allocation and later in the expansion process as cost weightings, as shown in USPS-LR-I-50, at page 18. The difference between this and the BY98 cost (\$73,031,244) can be accounted for by the additional Roadrailleurs (approximately \$4.5 million), Drayage (over \$2.5 million), and cost increases from 97 to 98.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-63. Please confirm that empty equipment moved by rail in account number 53192 may include equipment used to transport mail by truck. If not confirmed, please explain.

RESPONSE

Account 53192 is used to record expenses associated with the transportation of mail transport equipment (e.g., containers, trays, sacks) by rail. The mail transport equipment may subsequently be used to transport mail by any appropriate mode of transport (i.e., air, rail, highway, or water).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-64. Please identify and describe all initiatives to reduce costs and/or improve efficiency in surface transportation in the test year that were not incorporated in the USPS filing, and have not been described and/or quantified in other interrogatory responses. Please provide the best available estimate of the impact of each such initiative on periodicals costs.

RESPONSE

All efforts have already been described elsewhere in MPA/USPS-30; these are targets not test year savings estimates. Their impact on Periodicals costs is unknown.

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.

A handwritten signature in cursive script, appearing to read "Susan M. Duchek", is written over a solid horizontal line.

Susan M. Duchek

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Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
May 22, 2000