

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

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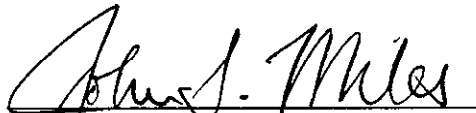
POSTAL RATE AND FEE CHANGES, 2000)

POSTAL RATE COMMISSION
Docket No. R2000-1

AMAZON.COM, INC.
FIRST INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED PARCEL SERVICE
WITNESS RALPH L. LUCIANI (AMZ/UPS-T5-1-10)
(June 19, 2000)

Pursuant to sections 25 through 27 of the Rules of Practice of the Postal Rate Commission, Amazon.com, Inc. hereby submits the following interrogatories and requests for production of documents.

Respectfully submitted,




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CERTIFICATE OF SERVICE

I hereby certify that I have this day served this document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


John S. Miles

June 19, 2000

AMZ/UPS-T5-1.

Please refer to your testimony at pages 27-28, where you discuss sack shakeout for DDU-entry Parcel Post. You state that MTAC meeting minutes “make clear that Postal Service employees at the DDU will assist in unloading DDU-entry mail when they are available.”

- a.
 - (i) Is your authority for this statement in the May 14, 1998 Parcel IRT Meeting Minutes that “Locally, USPS may be able to assist.”? If not, please quote the language you rely upon from the above-identified minutes, and explain how it supports your assertion.
 - (ii) Do you have any other authority for your statement? If so, please provide it.
- b. Please confirm that the meeting minutes which you cite predated the implementation of DDU-entry parcel post. If you do not confirm, please explain.
- c. Please state the complete basis for your conclusion that the observation in the MTAC meeting minutes reflect actual practice.
- d.
 - (i) What precise assistance do you assert that Postal Service employees provide in the assistance of unloading DDU-entry mail?
 - (ii) Do they always provide the same assistance?
 - (iii) Do they only assist “when they are available”?
 - (iv) How much (and how often) is this assistance related to sack shakeout?

Please identify the source(s) you rely on for your answers.

- e. If you do not contend that such assistance is always or almost always provided, why do you propose that the entire 2.1 cent cost per piece of sack shakeout be removed from DDU cost avoidance, rather than some portion?
- h. Witness Stralberg (TW-T-1) states that “[w]hen a mailer dropships to a DDU, the driver for the mailer is required to unload the mail and place it on the DDU platform, thereby helping the Postal Service to avoid the DDU unloading costs it would have incurred if the mail were not dropshipped.” (TW-T-1, p. 56, ll. 12-14.) Do you agree? If you disagree with witness Stralberg, please explain why.

AMZ/UPS-T5-2.

Please refer to your testimony at page 28, where you state that the Postal Service’s calculation of DDU cost avoidance reflects non-machinable costs that are not avoided.

- a. Are you stating that non-machinable parcels entered at the DBMC do not incur the costs identified by the Postal Service? Please explain your answer.
- b. Are you stating that non-machinable parcels entered at the DDU do not avoid the costs incurred by non-machinable parcels entered at the DBMC?
- c. Do you agree that a non-machinable parcel entered at the DDU avoids at least 73.0 cents of costs which would be incurred if it were entered at the DBMC? If not, why not?
- d. Is not every postal discount based upon an averaging of the costs avoided within the defined segment of mailpieces? Why is that practice problematic here?

AMZ/UPS-T5-3.

At page 33 of your testimony, you state that the parcel post rate design for DDU-entry parcels should use the calculation of cubic feet per piece from DBMC-entry parcels rather than the figure from intra-BMC parcels.

- a. Postal Service witness Plunkett's response to Presiding Officer's Information Request No. 3, Question 7 (which you cite in your testimony) observes that "the choice of cube/piece values for these rate categories has no impact on final rates due to the constraints that I have employed for the newer rate categories." Is it your view that witness Plunkett's statement is incorrect?
- b. You state at page 29, lines 14-16, that "parcels entered at the DSCF or at the DDU are likely to incur higher transportation costs for the transportation they use than non-dropshipped parcels using those same transportation legs." Please explain the basis for this statement.
- c. You state that it is reasonable to expect all drop-shipped mail will have similar physical characteristics. Would it be unreasonable to anticipate variances in the physical characteristics between DBMC-, DSCF-, and DDU-entry parcels? Please explain any negative answer.
- d. You state that witness Plunkett's reliance on DBMC volume to estimate DSCF and DDU entry volume "implicitly assumes that the characteristics of DSCF-entry and DDU-entry parcels are likely to resemble those of DBMC-entry parcels." Is there a more logical basis from which to calculate estimated DSCF and DDU entry volume? If your answer is negative, please explain how witness

Plunkett's reliance on DBMC volume makes any statement regarding the likely physical characteristics of DSCF and DDU entry volume.

AMZ/UPS-T5-4.

- a. Would you agree that DDU-entry parcel post is a rate category, and not a subclass? If you disagree, please explain the basis fully.
- b. Is it your recommendation that the Commission should assign an explicit markup to rate categories?
- c. Unless your answer to preceding part (b) is an unqualified negative, please explain whether you are recommending that the Commission use all the non-cost criteria in § 3622(b) to assign explicit markups to rate categories.
- d. Can you identify any instances where the Commission recommended a rates with an implicit markup for a rate category that was 4-5 times larger than the subclass-wide markup?
- e. What are the fairness and equity (criterion 1) implications of such a divergence in markups within a subclass?
- f. You propose to assign DDU-entry parcel post the same markup as Priority Mail. Is it your testimony that application of the noncost criteria of Section 3622(b) support identical markups? Please explain your answer fully, including identification of where (and how) application of the noncost criteria would differ between the two mail products.

- g. You refer to your tours of DDU operations.
 - (i) How many such tours have you participated in since the initiation of DDU-entry parcel post, and where and when were these tours?
 - (ii) How many times in these tours have you witnessed the handling of DDU-entry parcel post, and what have you observed?
- h. You propose a dramatically smaller (48.4 percent versus 80 percent) passthrough of cost avoidance for DDU parcel post. Please identify the fairness and equity (criterion 1) implications of such a divergence in cost avoidance passthroughs within a subclass.

AMZ/UPS-T5-5.

At pages 7-10 of your testimony, you propose that city carrier elemental load and street support costs be distributed between subclasses by weight, rather than volume.

- a. Do you believe that it costs more to deliver one 4-lb. parcel than 15 4-oz parcels? Please explain any affirmative answer.
- b. Do you believe that it costs 16 times as much to deliver one 4-lb. parcel as it does to deliver one 4-oz parcel? Please explain your answer.
- c. Do you believe that it costs more to deliver one 25-lb. parcel than 10 2-lb. parcels? Please explain any affirmative answer.
- d. Do you believe that it costs 12.5 times as much to deliver one 25-lb. parcel as it does to deliver one 2-lb. parcel? Please explain any affirmative answer.

- e. Do you have any evidence supporting your beliefs? If so, please provide it.

AMZ/UPS-T5-6.

At pages 14-16 of your testimony, you criticize the Postal Service for projecting declines in Alaska and OMAS volume, and increases in Alaska and OMAS revenues.

- a. Are you contending that witness Plunkett uses a revenue forecasting methodology different from that used by the Postal Service and Commission in Docket No. R97-1?
- b. Do you agree that the revenue forecasting methodology used by Postal Service witness Plunkett also tends to understate revenue increases in rate categories where TYAR volume increases more than the subclass-wide average? Please explain your answer.

AMZ/UPS-T6-7.

Have you ever written any articles, published or unpublished, concerning the effect of weight on cost in the delivery business? If so, please provide citations to each such publication, and provide as a library reference copies of any unpublished articles.

AMZ/UPS-T5-8.

Have you ever done any study, research or consultation that concerned the effect of weight on cost in the delivery business, either for UPS or any other client? Unless your answer is an unqualified negative, please indicate the nature of each such study or assignment including when it was performed.

AMZ/UPS-T5-9.

Your testimony at page 7, line 10, refers to the testimony of Postal Service witness Daniel as it relates to her study of the effect of weight on cost. Is it your contention that her studies have accurately captured the effect of weight on cost? Please explain fully any affirmative answer.

AMZ/UPS-T5-10.

Please refer to your testimony at page 9, lines 4-6.

- a. Please define the phrase "helps capture" as you use it here.
- b. Is it your position that 2 cents per pound is not an adequate amount to capture the full impact of weight on non-transportation costs?
- c. Unless your answer to preceding part (b) is an unqualified negative, please provide all evidence upon which you rely to support your position that 2 cents per pound does not fully capture the effect of weight on non-transportation cost.
- d. Unless your answer to preceding part (b) is an unqualified negative, please provide your best estimate of the most appropriate amount to capture the effect of weight on non-transportation cost.