

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

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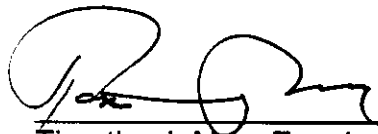
POSTAL RATE AND FEE CHANGES

DOCKET NO. R2000-1

**FOLLOW-UP INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
TO UNITED PARCEL SERVICE WITNESS SAPPINGTON (UPS-T-6-13-20)**

The Parcel Shippers Association (PSA) requests United Parcel Service to respond fully and completely to the following interrogatories and requests for production of documents pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure.

Respectfully submitted,



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Dated: July 5, 2000

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PSA/UPS-T-6-13

Please refer to your response to PSA/UPS-T-6-1. Utilizing the PRC's costing methodology, and the Postal Service's revenue and piece estimates, please compare the average per piece cost for parcels in the R97-1 Test Year and in the current Test Year.

PSA/UPS-T-6-14

In your response to PSA/UPS-T-6-5 (b) you state that, for 1997 and 1998, a PRC version of the CRA indicates that Parcel Post cost coverage was below 100%. Please confirm that the 1997 and 1998 PRC version of the CRA to which you refer is based on the revenue and pieces derived from what you describe as the "established" methodology.

PSA/UPS-T-6-15

Please refer to your response to PSA/UPS-T-6-7. In that response you say that the value shippers get from the three day delivery promise by Airborne "...may outweigh any costs associated with meeting DDU qualification requirements...." You go on to say that "...this value must certainly outweigh the associated costs for shippers who purchase the Airborne @ Home service." Please explain why this "must" be the case.

PSA/IUPS-T-6-16

(a) Your response to PSA/UPS-T-6-7(b), on the issue of whether delivery confirmation service increases the value of service to parcel shippers, states that "An increased array of options associated with the service increases the value of the service to its customers." Does an option which costs too much increase the value of service? Please explain any affirmative answer.

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(b) You also say in response to PSA/UPS-T-6-7 (b) that the value of Parcel Post service is increased because of the added delivery confirmation option "...regardless of whether a competitor offers a similar service for an extra charge or includes the extra service in the base price." Please explain how Parcel Post value of service has increased if a competitor offers the same service for free and the Parcel Post customer has to pay, *ceteris paribus*.

PSA/UPS-T-6-17

(a) In your response to PSA/UPS-T-6-8 you say you see no inconsistency between your testimony that the Postal Rate Commission should not be concerned about unacceptably low volumes of parcels because the Postal Service's new methodology for volume and revenue shows much higher volume, and UPS witness Sellick's testimony that the new methodology is wrong. Please confirm that, if UPS witness Sellick is correct, then it means that there is no higher volume of Parcel Post that would serve, as you phrase it, to allay any concerns the Commission might have had in R97-1 that "...a sizeable increase in rates would reduce Parcel Post volumes to unacceptably low levels." Please explain any negative answer.

(b) Does the fact that the Postal Service's new methodology shows higher volumes mean that significant Parcel Post volumes actually increased, or, rather, that there may have been no increase in Parcel Post volumes because the measurement of prior year volumes by the old, or what you call the "established," methodology underreported volumes? Please explain your answer.

(c) In your response to PSA/UPS-T-6-8 (b) you take note of the fact that, even using the "established" methodology advocated by UPS, Parcel Post volume

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increased by almost 13% and revenues by almost 7% in 1998. Please confirm that the increase in volume and revenue in 1998 occurred in the absence of any rate increase in Parcel Post, and therefore does not reflect the consequences of the Commission's 12% Parcel Post increase, an increase that did not take effect until Fiscal Year 1999?

Please explain any negative answer.

PSA/UPS-T-6-18

PSA/USPS-T-6-9 (b) asked you to compare the Parcel Post volume growth during the 1990S to the growth in ground parcel volume for United Parcel Service and to document your response with data describing the size of the ground parcel market and United Parcel Service's share of that market. In your response you to do not specifically address the issue of UPS' share, but rather state that: "The only data that I have regarding volume growth in the ground parcel market during the 1990s is the data provided by Postal Service witness Tolley." Did you ask United Parcel Service to supply the data that was requested and, if not, please explain why you did not.

PSA/UPS-T-6-19

(a) In your response to PSA/UPS-T-6-10 (a) you confirmed that the standards for measuring Criterion 2, the value of service, such as the standards to which you refer in your testimony, have to be compared to something else in order to have meaning. You go on in that answer, however, to state that such comparisons need not be measured relative to "...the value delivered by another service. One can conclude, for example, that if a specified delivery service increases the speed with which it delivers mail compared to what that same service formally provided, then the value of that delivery service to its users has increased, *ceteris paribus*." Please confirm that your

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answer assumes that “all other things are equal, including the fact that the competitor’s service did not also comparably improve?” Please explain any negative answer.

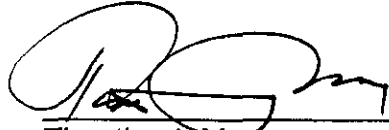
(b) Question PSA/UPS-T-6-10 (b) asked that you compare Parcel Post performance to that of its competitor or competitors. Your response was that you did not have data on the performance and internal operation of private competitors. Did you ask United Parcel Service to supply you with such data and, if not, please explain why you did not.

PSA/UPS-T-6-20

In your response to PSA/UPS-T-6-11 (b) you state that if rates for a service do not generate revenues sufficient to cover a reasonable share of institutional cost then those rates would “...unfairly disadvantage suppliers of competing services.” However, you add that you do not have an estimate of the loss of volume and revenue that UPS or any other supplier might suffer if Parcel Post rates did not pay a reasonable share of institutional cost. Please explain how the Postal Rate Commission is able to know whether Parcel Post rates cover a “reasonable share of institutional costs” according to Criterion 4, if they do not know what level of Parcel Post rates will cause harm to United Parcel Service, that is, a loss of volume and/or revenue?

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the Postal Service by hand and by First-Class Mail upon all participants in this proceeding requesting such service.



Timothy J. May

Dated: July 5, 2000