

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

RECEIVED

AUG 1 4 37 PM '97

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
UNITED PARCEL SERVICE
(UPS/USPS-1-2)

The United States Postal Service hereby provides responses to the following interrogatories of United Parcel Service: UPS/USPS-1-2, filed on July 18, 1997. An objection to interrogatory UPS/USPS-3 was filed on July 28, 1997.

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



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999; Fax -5402
August 1, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE TO UPS INTERROGATORIES

UPS/USPS-1. The requested classification schedule language for the proposed DDU discount classification requires that qualifying mail be entered at a designated destination delivery unit "or other equivalent facility," and the requested language for the proposed DSCF discount classification requires that qualifying mail be entered at a designated destination processing and distribution center or facility "or other equivalent facility."

- (a) What other types of facilities may qualify as an "other equivalent facility" (i) in the case of DDU mail and (ii) in the case of DSCF mail?
- (b) What standards or criteria will be used to determine if a facility is an "other equivalent facility" (i) in the case of DDU mail and (ii) in the case of DSCF mail?

RESPONSE:

- (a) The reference to "equivalent facilities" was simply intended to convey that it is the presence of a qualifying operation in a facility at which a destination entry discount is offered, as opposed to a facility name alone, as well as transportation routing that would determine whether and what type of destination entry is available. For instance, if some carriers were physically located in a Processing and Distribution Center which qualifies as an SCF, mail destined for carrier routes emanating from that facility may qualify for DDU-entry discounts. Parcels entered at a multi-ZIP parcel depot in large urban areas in some locations may also qualify for DDU discounts.
- (b) With some possible minor exceptions, destination SCFs are listed in DMM L002 Column C. As explained in part (b) above, the availability of destination delivery unit discounts would depend upon the facility where delivery employees who deliver parcels are stationed.

RESPONSE OF UNITED STATES POSTAL SERVICE TO UPS INTERROGATORIES

UPS/USPS-2. Please refer to page 3 of the March 10, 1997 issue of Postal World, attached hereto, and in particular to the reference to FASTNET on that page.

- (a) When did the Postal Service first begin accepting FASTNET Parcel Post shipments?
- (b) Provide the total revenue from inception to date, as well as the revenue for each fiscal year in which FASTNET has operated, obtained by the Postal Service from the FASTNET project.
- (c) Provide the total cost from inception to date, as well as the cost for each fiscal year during which FASTNET has been operated, for FASTNET shipments.
- (d) For each cost figure supplied in response to (c), above, provide a breakdown of the costs by cost segment, component, function, element, or by any other cost categorization available, to the lowest level of detail available
- (e) Provide the total volume of FASTNET pieces handled by the Postal Service (i) from inception of the project to date and (ii) separately for each fiscal year during which FASTNET has been operated.
- (f) In the case of each of the volume figures provided in response to (e), above, how much of the volume consists of parcels that were formerly carried by carriers other than the Postal Service?
- (g) Provide all rates charged at any time for FASTNET shipments, specifying when each set of such rates was in use.
- (h) Are the revenues for FASTNET supplied in response to (b), above, included in the revenues for Parcel Post for the respective fiscal years in which FASTNET has been operated? If not, why not?
- (i) Are the costs of FASTNET shipments supplied in response to (c), above, included in Parcel Post costs for the respective fiscal years in which those costs were incurred? If not, why not? If so, in what cost components, segments, functions, elements, or other cost categorizations are those costs found?
- (j) Are the volumes of FASTNET shipments supplied in response to (e), above, included in Parcel Post volumes for the respective fiscal years in which those volumes were handled? If not, why not?

RESPONSE:

The FASTNET program was discontinued on May 31, 1997.

- a. The initial test phase of FASTNET began in Orlando, Florida, in April of 1994.

RESPONSE OF UNITED STATES POSTAL SERVICE TO UPS INTERROGATORIES

- b. No separate estimate or measure of total revenues from FASTNET from inception to date is available. Revenues from FASTNET for FY 1995 and FY 1996 were estimated by the program managers to be approximately \$850,000 and \$2,750,000, respectively.
- c. This information is not available. The costs incurred by the Postal Service in handling FASTNET parcels are included in the costs of Parcel Post (with the one exception noted in part (g)) and cannot be separately estimated.
- d. This information is not available. See response to part (c).
- e. FASTNET volume was measured at 21,933 pieces in FY 1994; 312,913 pieces in FY 1995; 1,127,640 pieces in FY 1996; and 153,666 through AP 1 of FY 1997.
- f. As of November of 1995, the program manager estimated that approximately 85 percent of FASTNET volume had been "new business" to the Postal Service, primarily shifted from carriers other than the Postal Service.
- g. FASTNET parcels were charged the applicable Parcel Post rates, usually those for the intra-BMC local zone or zones 1 & 2, since FASTNET involved delivery only within a metropolitan area. There is one known exception to this in the case of a library sending FASTNET parcels that were charged at the appropriate Library rates.
- h. Revenues for FASTNET are included in the revenues for Parcel Post, with the one exception noted in part (g).

RESPONSE OF UNITED STATES POSTAL SERVICE TO UPS INTERROGATORIES

- i. See response to part (c).
- j. Volumes of FASTNET are included in the volumes for Parcel Post, with the one exception noted in part (g).

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 "Scott L. Reiter", is written over a horizontal line.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
August 1, 1997