

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

DOCKET NO. R97-1

EIGHTH SET OF INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS MAYES
(UPS/USPS-T37-46 through 50)

(August 18, 1997)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatories and requests for production of documents directed to United States Postal Service witness Mayes (UPS/USPS-T37-46 through 50).

Respectfully submitted,



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Of Counsel.

**INTERROGATORIES OF UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS MAYES**

UPS/USPS-T37-46. Refer to WP I.F., page 1 of 1, of USPS-T-37.

- (a) Confirm that the market study shows that of the Parcel Post volume that will be prebarcoded after a rate discount is implemented, 96% is already being prebarcoded. If not confirmed, provide the correct figure.
- (b) Confirm that the market study shows that of the Parcel Post volume that will receive the BMC presort discount after a rate discount is implemented, 95% is already being presorted by BMC. If not confirmed, provide the correct figure.
- (c) Confirm that the market study shows that of the Parcel Post volume that will be dropshipped to the OBMC after a rate discount is implemented, 28% is already being dropshipped in the OBMC. If not confirmed, provide the correct figure.
- (d) Confirm that the market study shows that of the Parcel Post volume that will be dropshipped to the DSCF after a rate discount is implemented, 59% is already being dropshipped to the DSCF. If not confirmed, provide the correct figure.
- (e) Why is there no market study information listed for the amount of Parcel Post volume dropshipped to the DDU either currently, or after implementation of a discount?
- (f) With respect to the 1996 Parcel Post Volume of 214,578,737 listed at the top of the page, provide the respective volumes for machinable Inter-BMC, non-machinable Inter-BMC, Intra-BMC, and DBMC.
- (g) Confirm that the survey results contained in LR H-163 for "Parcel Post That The Organization Owns" were used as the source of the market study data in WP I.F. If not confirmed, explain.

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(h) Confirm that the survey results contained in LR H-163 for "Parcel Post That The Organization Prepared and Deposits for Some Other Organization" were not used in your rate design. If confirmed,

(i) Explain why these survey results were not used;

(ii) Describe in general terms the impact on your Parcel Post rate design analysis if these survey results had been used.

If not confirmed, explain.

(i) With respect to the "Volume Represented in Survey" of 114,984,817, confirm that this is the Parcel Post volume of the mailers who responded to the survey, not the Parcel Post volume of all of the mailers attempted to be contacted during the survey.

(j) Explain the reasons why there would be "Lost Volume" resulting from the "Change in Size Limit to 130 inches."

(k) Confirm that the market study data contained in WP I.F. and LR H-163 was not obtained in such a way that the impact on worksharing volumes of simultaneously offering a number of new discounts (e.g., BMC presort, OBMC, and DSCF) could be derived. If not confirmed, explain in detail.

(l) Confirm that the market study data contained in WP I.F. and LR H-163 is on a "summary anecdotal" basis. If confirmed, why are you comfortable using this data in your rate design analysis? If not confirmed, explain.

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UPS/USPS-T37-47. Refer to WP II.C., pages 1 to 4.

(a) Confirm that the revenue lost in the Test Year After Rates from the barcode discount in Parcel Post is \$3,924,069. If not confirmed, please provide the correct figure.

(b) Confirm that the costs saved in the Test Year After Rates from the barcode discount in Parcel Post is \$160,399. If not confirmed, please provide the correct figure.

(c) Confirm that in the Test Year After Rates, the barcode discount in Parcel Post yields more revenue loss than cost savings, and thus, through adjustments for revenue leakage, results in increased rates for single-piece Parcel Post.

(d) Confirm that the revenue lost in the Test Year After Rates from the BMC Presort discount in Parcel Post is \$1,422,912. If not confirmed, please provide the correct figure.

(e) Confirm that the costs saved in the Test Year After Rates from the BMC Presort discount in Parcel Post is \$87,577. If not confirmed, please provide the correct figure.

(f) Confirm that in the Test Year After Rates, the BMC Presort discount in Parcel Post yields more revenue loss than cost savings, and thus, through adjustments for revenue leakage, results in increased rates for single-piece Parcel Post.

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(g) Confirm that the revenue lost in the Test Year After Rates from the OBMC Entry discount in Parcel Post is \$6,023,903. If not confirmed, please provide the correct figure.

(h) Confirm that the costs saved in the Test Year After Rates from the OBMC Entry discount in Parcel Post is \$4,416,057. If not confirmed, please provide the correct figure.

(i) Confirm that in the Test Year After Rates, the OBMC Entry discount in Parcel Post yields more revenue loss than cost savings, and thus, through adjustments for revenue leakage, results in increased rates for single-piece Parcel Post.

(j) Confirm that the revenue lost in the Test Year After Rates from the DSCF discount in Parcel Post is \$7,401,580. If not confirmed, please provide the correct figure.

(k) Confirm that the costs saved in the Test Year After Rates from the DSCF discount in Parcel Post is \$3,162,176. If not confirmed, please provide the correct figure.

(l) Confirm that in the Test Year After Rates, the DSCF discount in Parcel Post yields more revenue loss than cost savings, and thus, through adjustments for revenue leakage, results in increased rates for single-piece Parcel Post.

(m) Why is there no data regarding the impact of the DDU discount on costs in the Test Year After Rates in WP II.C? Please explain.

(n) Confirm that, to the extent the amount of Parcel Post volume

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currently participating in prebarcode, BMC Presort, OBMC Entry, and DSCF worksharing programs has been understated, there would be even more revenue loss than cost savings for these programs in the Test Year After Rates. If not confirmed, explain.

(o) Confirm that the market study data in WP I.F. and LR H-163 identifies current worksharing only for the volume of the 39 Parcel Post mailers that responded to the survey, and that to the extent any additional Parcel Post mailers are already participating in prebarcode, BMC Presort, OBMC Entry, and DSCF worksharing, the cost coverage for Parcel Post in the Test Year After Rates would decline. If not confirmed, explain.

UPS/USPS-T37-48. Please refer to your response to interrogatory OCA/USPS-T-13-5(b) in Docket No. MC97-2. In your response, you state, "Additionally, the nonmachinable volume that will be OBMC entered should not appear in the numerator."

(a) Please confirm that the number you are speaking of is found in cell B35 of WP I.F. in H197-4.XLS in your testimony submitted in Docket No. R97-1.

(b) If you confirm part (a), above, explain why the "correct" formula you give in your testimony submitted in Docket No. R97-1 for cell K31 of WP I.I. in H197-2.XLS is

= +D43*(((+[H197-4.XLS]WP I.F.!\$D\$14+[H197-4.XLS]WP I.F.!\$D\$15)*([H197-4.XLS]WP I.F.!\$B\$35)/('WP II.A.!D13*D5*'WP I.F.!B9/'WP II.A.!D17))+([H197-4.XLS]WP

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I.F.'!\$B\$42)+('[H197-4.XLS]WP I.F.'!\$B\$35))*WP
II.A.'!D29/'[H197-4.XLS]WP I.F.'!\$B\$9)

and contains cell B35 of WP I.F. in H197-4.XLS.

(c) Should this cell reference be for cell B42, the machinable volume that will be OBMC entered, instead?

UPS/USPS-T37-49. Please confirm that one of the objectives of the Postal Service's rate proposal is to make a modest contribution to the financial goals of the Postal Service, including restoration of equity. If not confirmed, please explain.

(a) Confirm that the worksharing discounts proposed for Parcel Post would pass through essentially 100% of the estimated cost savings. If not confirmed, explain.

(b) Confirm that if a new worksharing discount is offered to a Postal Service user that is already engaging in the applicable worksharing activities, the new discount results in a loss of contribution to the restoration of equity. If not confirmed, explain.

(c) Does the Postal Service have any analyses or studies for any of the proposed new discounts which indicate or discuss whether the gain in contribution from new users will more than offset the loss in contribution from mailers already engaging in the applicable worksharing activities? If yes, please provide copies of any and all such studies or analyses.

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UPS/USPS-T37-50. Refer to your Direct Testimony on page 4, line 3.

Please confirm that “additional worksharing opportunities for parcel shippers,” will likely be of interest only to business firms that have large volumes of parcels to ship. If not confirmed, please explain.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with section 12 of the Commission's Rules of Practice.


Stephanie Richman

Dated: August 18, 1997
Philadelphia, Pa.