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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97–1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYES TO INTERROGATORIES OF UNITED PARCEL SERVICE (UPS/USPS–T37—24–40)

The United States Postal Service hereby provides responses of witness Mayes to the following interrogatories of United Parcel Service: UPS/USPS–T37—24–40, filed on August 6, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSE OF POSTAL SERVICE WITNESS MAYES TO UPS INTERROGATORIES

UPS/USPS-T37-24. (a) Confirm that the Postal Service is proposing to pass through 100% or very close to 100% (see USPS-T-37, WP I.I., page 1 of 3) of the Postal Service's estimated cost savings for the rate categories for which a new discount is proposed (OBMC, DSCF, DDU, BMC presort, and prebarcoding). If not confirmed, explain in detail.
(b) Confirm that providing a worksharing rate discount to mailers who already perform worksharing in the absence of a discount leads to a decline in the net contribution to institutional costs for the volume tendered by those mailers. If not confirmed, explain in detail.
(c) Confirm that new parcel post volume (i.e., volume not now being handled by the Postal Service) generated by the proposed new rate discounts (OBMC, DSCF, DDU, BMC presort, and prebarcoding) will not yield any additional contribution to institutional costs. If not confirmed, explain in detail.
(d) Confirm that current Priority Mail volume that will be sent via Parcel Post because of the proposed worksharing discounts for Parcel Post will yield less contribution to institutional costs than that same mail now yields when sent by Priority Mail. If not confirmed, explain in detail.
(e) Confirm that, despite the adjustments to prevent revenue leakage, any new volume not currently handled by the Postal Service that is attracted to Parcel Post by the proposed new discounts for OBMC, DSCF, DDU, and prebarcoding will yield a negative contribution to institutional costs (i.e., will be carried below cost) if the estimated cost savings have been overstated by even a small amount (i.e., by 2% or more). If not confirmed, explain in detail.
(f) Do you agree that the possibility that estimated worksharing cost savings may be overstated creates a greater danger of yielding rates below attributable cost in the case of subclasses or rate categories with very low cost coverages (e.g., cost coverages of 102% or less) than for subclasses or rate categories with relatively higher cost coverages? Explain your answer.
(g) Do you agree that passing through a smaller percentage of estimated cost savings is one way to compensate for the risk of overstating estimated cost savings? Explain your answer.

Response:

(a) Not confirmed. The passthroughs associated with the nontransportation elements of each of the new worksharing discounts for Parcel Post are calculated on page 1 of workpaper WP I.I. The passthroughs range from

89.55 percent to 100 percent. The measured transportation cost savings were passed through at 100 percent, with some small variations due to rounding to whole cent increments.

(b) This statement cannot be confirmed without additional information such as the volume response of "mailers who already perform worksharing in the absence of a discount." However, I can confirm that for the volume that would be tendered regardless of the discounts and is already being prepared in accordance with the requirements for new worksharing discounts, there is a unit revenue or contribution loss for that volume that is equal to the applicable discount or discounts.

(c) Not confirmed. This statement cannot be confirmed without additional information regarding, at minimum, the weight and zone distribution of the new volume. Please refer to my response to UPS/USPS-T37-11. Furthermore, the passthroughs associated with the discounts are 100 percent or less of the narrowly-defined cost savings. I have no means by which to verify that the new volume generated by the proposed discounts will have a lower or higher effective contribution to institutional costs than existing Parcel Post at the proposed rates, either with or without participation in the worksharing programs.

(d) Not confirmed. I have not analyzed the contribution associated with any given piece of Priority Mail or the contribution associated with the same shape, weight and zone combination if sent as Parcel Post. As noted in my response to UPS/USPS-T37-11, the rates for many Parcel Post cells were

constrained to not decrease, and thus, will be higher than otherwise suggested by the rate design and cost distribution to those cells. Moreover, although I did not design the proposed Priority Mail rates, I would believe that decisions to retain the unzoned rates could affect the contributions for given Priority Mail items.

(e) Not confirmed. The discounts associated with the worksharing activities are, in most cases, only a small part of the total cost or rate. The relationship between the total cost and the rate for any particular piece of mail would have to be considered. In addition, not all of the discounts are offered at a 100 percent passthrough. As indicated in my responses to parts (c) and (d) above, I do not have sufficient information regarding the specific rate cells in which this new volume would fall.

(f) I agree that in subclasses with very low cost coverages, there is a smaller margin for error in the measurement of any element required to assess revenues or costs. At the same time, I would be wary of any pricing scheme that mechanistically relates passthroughs to subclass cost coverages. Please see my response to part (g).

(g) Passing through a smaller percentage of estimated cost savings is one way to ensure a conservative approach to introducing new worksharing discounts. On the other hand, if the cost savings were narrowly defined and conservatively estimated in the first place, there may be no reason to pass through less than 100 percent of the cost savings identified using such conservative means.

UPS/USPS-T37-25. Witness Hatfield states (USPS-T-16, Appendix I, page 11 of 13, footnote 3) that the costs associated with Intra-Alaska non-preferential air was accounted for in your testimony. Confirm that your handling of these costs was to adjust the "Markup Factor" (e.g., on WP I.I, page 2 of 3) that is applied to the per piece cost and to the transportation cost in each rate cell in each rate category of Parcel Post (including Inter-BMC, Intra-BMC, DBMC, DSCF, and DDU). If not confirmed, explain.

Response:

Please refer to my response to Presiding Officer's Information Request Number 1, Question 1.a.(2).

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO UPS INTERROGATORIES

UPS/USPS-T37-26. Refer to spreadsheet H197-1.xls, underlying the Intra-BMC Zone 5 rate cells in your testimony.

(a) Confirm that there is a hard-coded value for the fourth iteration of the rates for Intra-BMC, Zone 5, pound 2. If not confirmed, explain.

(b) Confirm that the hard-coded value is not the same as the value that would result if the equations used for the other rate cells were applied to these cells. If not confirmed, explain.

(c) Explain why this value is hard-coded and not developed from the equations used for the other rate cells.

Response:

(a) Confirmed.

(b) Confirmed.

(c) The rate for two-pound intra-BMC pieces sent to Zone 5 was set slightly higher than the rate that would have resulted from application of the equations used for the other rate cells. This value was "hard-coded" to be the same as the rate for two-pound pieces in Zones 1&2 through 4 so as to prevent discontinuity in the rate chart.

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UPS/USPS-T37-27. Are 100% cost passthroughs consistent with the Postal Service's past policy with respect to the passthrough of worksharing cost savings? Explain.

Response:

Passing through 100 percent of narrowly-measured cost savings in the form of discounts is not inconsistent with the approaches to rate design used by previous Postal Service rate design witnesses. Please also refer to the responses of Postal Service witness Fronk to NDMS/USPS-T32-5 and NDMS/USPS-T32-6. In my opinion, "passthroughs" should be considered in light of the resulting rates and their relationships, and the signals those rates send to mailers regarding the value of mailer participation in worksharing programs.

UPS/USPS-T37-28. Refer to USPS-T-37, WP II.C. and WP I.H. Why is the amount of "Over 108 Inches" volume unaffected by the change in volume from before rates to after rates? Please explain.

Response:

No volume over 108 inches in combined length and girth would be permissible in the test year before rates.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO UPS INTERROGATORIES

UPS/USPS-T37-29. Refer to lines 1-3 on page 5 of your testimony.

(a) Confirm that the equations used to generate the proposed Parcel Post rates were constructed so that the maximum allowed rate increase for any particular weight and zone combination of inter-BMC machinable Parcel Post would not exceed 30%. If not confirmed, provide the correct figure.

(b) Why was any limitation chosen? Why was the specific limitation of 30% chosen? Cite all supporting Commission decisions.

(c) Confirm that the equations used to generate the proposed Parcel Post rates were constructed so that the maximum allowed rate decrease for any particular weight and zone combination of inter-BMC machinable Parcel Post would not be greater than 15%. If not confirmed, provide the correct figure.

(d) Why was any limitation chosen? Why was the specific limitation of 15% chosen, and why is this figure different from the limitation on rate increases? Cite all supporting Commission decisions.

(e) Confirm that the proposed rates for some weight and zone combinations of BMC Presort, OBMC, DSCF, and DDU Parcel Post would, if adopted, result in rate decreases of more than 15% from current rates. If confirmed, why weren't these decreases constrained, as in the case of inter-BMC machinable Parcel Post? If not confirmed, explain.

Response:

(a) Confirmed.

(b) The upper limit of 30% was chosen so as to moderate the impact on mailers of the changes in rates for any particular rate and zone combination. The choice of 30 percent as the maximum increase in the basic rates resulted from exchanges between postal management and myself intended to balance rate design and policy concerns, with reference to precedent in constraining rate cells.

I cannot cite all supporting Commission decisions, but I can refer you to several Commission decisions which incorporate limits on the changes in

rates. For example, please refer to PRC Opinion and Recommended Decision for Docket No. R87-1 at page 750, [6030], wherein the Commission states that they capped Express Mail rate changes at "30 percent increase over current rates." Please also refer to page 14 of the Commission's workpapers for the design of Express Mail rates in Docket No. R90-1 wherein the rates are constrained to be at least twice the applicable Priority Mail rates "but do not allow rate to increase more than a certain percent over existing rate," with the "Maximum % increase: 30.00."

In its R80-1 Opinion and Recommended Decision, the Commission stated that it was "recommending moderate constraints on the rate schedule to avoid a disruption in the market that could be detrimental to users of both parcel post and alternative service, as well as competitors and the Postal Service." at page 484, [1037]. In the same Recommended Decision, the Commission stated that "Because the process of bringing the parcel post schedule into conformity with cost incurrence is still continuing, we have likewise continued to apply constraints to guard against market disruption." Pages 485-6, [1039].

In the Commission's Recommended Decision in Docket No. R80-1 (See page 486, at [1040]), it described the constraints it applied in Docket No. R77-1, and the rationale for those constraints. In Docket No. R77-1, the Commission imposed constraints such that the rate for no cell could increase more than 50 percent, and the rate for no cell could decrease below the existing rate. Similarly, in R80-1, the Commission chose to restrict rates

such that they did not decrease below current rates and didn't increase more than 20 percent unless a higher rate was required to cover the costs assigned to that cell. In its R84-1 Opinion, the Commission stated that in the two previous cases (R77-1 and R80-1) "an abrupt move from the tradition [sic] rate structure to a cost-based rate structure would have caused too much disruption in the market." Page 542 at [5521].

It was my opinion that the shift from the previous approach to transportation costing in Parcel Post to the results implied by the work of witness Hatfield (USPS-T-16) constituted circumstances that similarly represented shifts from an existing structure to a more cost-based structure.

(c) Confirmed.

(d) Since it was necessary for the rate levels for Parcel Post to increase overall, the decision was made to mitigate the full impact of any rate decreases implied by the changes in the costs for Parcel Post. A rate decrease of 15 percent was viewed as a reasonable limit to associate with decreases resulting not from changes in mailer behavior but primarily from changes in postal costing methodological approaches. This approach was viewed as permitting the newer, more accurate cost data to be reflected in the resultant rates, while somewhat limiting the impact on the Parcel Post rates which must reflect, not only the general cost increase, but also the increase in costs due to the refined methodology. Please refer to my response to part (b) above. In R77-1 and R80-1, the Commission established a constraint that no Parcel Post rates be allowed to decrease below the current rates.

(e) Confirmed. Unlike the changes reflected in the rate design for the basic underlying rates for machinable inter-BMC Parcel Post, the changes in the rates resulting from the offering of new worksharing discounts were intended to send pricing signals and deaverage rates for mailers capable of and willing to perform worksharing activities. The rates facing the mailers eligible for worksharing discounts, in some instances, would have represented even larger decreases from current rates had the basic rates not been constrained. As stated in my response to part (d) above, the basic rates were constrained to not reflect the full impact of changes in postal costing methodology. The discounted rates reflect both the changes in the costing methodology as well as the introduction of deaveraged rates intended to encourage and reward mailer participation in worksharing programs.

UPS/USPS-T37-30.

(a) Confirm that the revenue gained in the Test Year After Rates from the "Over 108 Inches" Parcel Post volume is $12,822,340 minus $180,180, or $12,642,160. See your Workpaper II.C., page 1, lines 13 and 15. If not confirmed, please provide the correct figure.

(b) Confirm that the costs incurred in the Test Year After Rates from the "Over 108 Inches" Parcel Post volume is $19,080,130 minus $145,578, or $18,934,552. See your Workpaper II.C., page 3, lines 2 and 4. If not confirmed, please provide the correct figure.

(c) Confirm that in the Test Year After Rates, the "Over 108 Inches" Parcel Post volume does not cover its attributable costs. If not confirmed, please explain.

(d) Confirm that any underestimate of the "Over 108 Inches" Parcel Post volume would yield a lower cost coverage for Parcel Post in the Test Year After Rates.

Response:

(a) Confirmed.

(b) Confirmed.

(c) As calculated, the revenue derived from the additional volume with combined length and girth exceeding 108 inches does not cover the costs associated therewith.

(d) Confirmed.

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UPS/USPS-T37-31. In calculating the TYAR volumes, the 1996 distribution of volume among zone and weight cells is used to divide the TYAR total volume among rate cells. Please provide an explanation and any evidence you have to confirm that the volume distribution is static. If you cannot confirm or provide any evidence or analysis to support a static volume distribution, please discuss and explain how your calculation of total revenue and cost coverage would be affected by shifts in volume distribution.

Response:

Prior to this case, I prepared rate design and revenue estimation workpapers for use in three omnibus rate cases, as well as examined the Commission's workpapers from the same cases, and have observed that, in the subclasses with which I am familiar, the distribution of both TYBR and TYAR volumes to individual rate cells for revenue estimation purposes is performed with reference to the volume distribution that existed in the base year. In other words, it is my understanding that in the approved and generally accepted methodology for distributing test year volumes to rate cells for revenue estimation purposes, the base year volume distributions to cell are multiplied by a volume adjustment factor representing the ratio of the TYBR or TYAR total volume to the base year volume. The exceptions to such practice occur when there is additional information, such as from market research, that allows for more precise adjustments.

Volume forecasting is the focus of neither my testimony in this case, nor my work in prior proceedings. However, it seems to me to be beyond the realm of possibility and plausibility to consider independently calculating, establishing and defending a unique elasticity estimate for every rate element in every subclass of mail. In the absence of additional information such as market research, the generally accepted means of estimating the volumes for revenue estimation and rate design has been to apply the fixed distribution of volume to weights and zones to the new estimate of total volume. The before- and after-rates volume forecasts for Parcel Post were performed at an aggregate level for Inter-BMC, Intra-BMC and DBMC separately. The volume figures appearing in each cell for revenue estimation purposes are not volume forecasts, per se, for each cell. They simply represent the distributions of the aggregate forecasted volumes according to the base year distribution.

For further discussion regarding these issues, please refer to the response of Postal Service witness Ashley Lyons to Presiding Officer's Information Request No. 3, Question 1, in Docket No. MC96-3. Tr. 8/3002-3.

UPS/USPS-T37-32. Confirm separately that WP II.C., p.3, footnote 12, should read, "WP II C page 1 line 24 over (1)," for TYBR cost coverage but that the coverage for TYBR is as the footnote reads. If you cannot confirm, please explain the TYBR cost coverage of 96.88% resulting from the calculation described in the footnote as stated and provide any relevant sources.

Response:

I am not sure that I understand the question as written. However, I can confirm that the footnote associated with line (12) for TYBR should read "WP II.C., page 1, line (24) over (1)" as there is no line (11) for TYBR on page 2 of WP II.C. As lines (12) and (24) on page 1 of WP II.C. are identical for TYBR, so would be lines (1) and (11) on page 2. Since there is no line (11) for TYBR on page 2, I cannot trace or confirm the 96.88% figure you have cited.

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UPS/USPS-T37-33.

(a) Please confirm that in the 3rd iteration, any 2nd iteration rate that is unaffected by the 30 percent rate increase constraint is marked up by 4% (WP I.L., p.39, line 8).

(b) Confirm that the rates resulting from this additional markup become the 3rd iteration rates as long as they do not crossover with Priority Mail rates.

(c) Similarly confirm that in the 4th iteration, any 3rd iteration rate that is still unaffected by the 30 percent rate increase constraint is marked up an additional 0.36% (WP I.M., p.37, line 8).

If you are unable to provide unqualified confirmation of any of the above, please explain why you cannot confirm.

Response:

(a) Not confirmed. The 30 percent constraint is not the only constraint applied. In the local and Zones 1&2, if the 2nd iteration rate multiplied by the additional markup from WP I.L. would result in a rate higher than the applicable Priority Mail rate less a nickel, then the rate was constrained to be the applicable Priority Mail rate less a nickel. In Zones 3 through 8, if the 2nd iteration rate multiplied by the additional markup from WP I.L. would result in a rate lower than the current rate, then the current rate applied.

(b) Not confirmed. Please refer to part (a) above.

(c) Not confirmed. Please refer to part (a) above.

UPS/USPS-T37-34.

(a) Please explain the process by which the 3rd iteration markup of 4% and 4th iteration markup of 0.36% were derived. Is there an algorithm that resulted in these markups? If so, please provide the algorithm in hard copy and electronic form with an accompanying explanation.

(b) Please discuss any and all other markup factors that were considered.

Response:

(a) Please refer to Library Reference H197, file H197-1.xls for the method by which these additional markups were determined. I used the Commission's workpapers from Docket No. R94-1 as the source of this methodology for recovering the revenue that would otherwise have been lost (or gained) by virtue of imposing constraints on the rates that otherwise resulted from the simple application of a markup factor to the underlying cost distributions.

At page 17 of the Commission's workpapers for the design of Parcel Post rates in Docket No. R90-1, the Commission used the same methodology to recover the revenue that was lost by setting Parcel Post rates a nickel below the comparable Priority Mail rates. In Docket No. R90-1, unlike in Docket No. R94-1, the Commission chose to recover this revenue by a per-piece surcharge on the unaffected cells. I believe that the markup methodology is more fair than a per-piece surcharge because it ties to the cost and revenue

base for each cell rather than the relatively more regressive per-piece surcharge approach that places relatively more burden on the low-cost, low-weight items.

(b) The goal of the derivations at workpapers WP I.L. and WP I.M. was to develop the markup factors that, when applied to the unaffected volumes, would result in the same total revenue that would have been obtained with unconstrained rates. No other markup factors were considered.

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UPS/USPS-T37-35. Please confirm that markup factors that differ across rate cells (i.e., from one rate cell to another) were not considered, and explain why varying markups were not used or considered.

Response:

Because the development of rates for Parcel Post, in particular, has traditionally been handled by both the Commission and the Postal Service in a rather mechanical manner, I was unfamiliar with a precedent of using different markup factors across rate cells. In the absence of a compelling reason – such as evidence of dramatic differences in demand characteristics or market factors applying to different cells – I followed the Commission's methodology of applying the same markup to the unaffected cells, as described in my response to UPS/USPS-T37-34.

UPS/USPS-T37-36. Please refer to USPS-T-37, WP I.K.

(a) Confirm that the same markup factor has been separately applied to the inter-BMC, intra-BMC, and DBMC transportation costs in deriving the preliminary rate schedules.

(b) Confirm that the approach referred to in (a) above yields a different markup in cents per piece for a parcel of the same weight and zone regardless of whether the parcel is sent as an inter-BMC, an intra-BMC, or a DBMC parcel. If not confirmed, explain.

(c) Confirm that the Parcel Post rate designs in Docket Nos. R90-1 and R94-1 resulted in the same markup in cents per piece for a parcel of the same weight and zone regardless of whether the parcel was sent as an inter-BMC, an intra-BMC, or a DBMC parcel. If not confirmed, explain.

(d) Confirm that even when transportation costs are estimated separately for inter-BMC, intra-BMC and DBMC, a Parcel Post rate design with an equal markup in cents per piece for a parcel of the same weight and zone regardless of whether the parcel was sent as an inter-BMC, an intra-BMC, or a DBMC parcel can be derived for each of the three rate categories. If not confirmed, explain.

(e) Explain why you did not use an equal markup in cents per piece for a parcel of the same weight and zone regardless of whether the parcel is sent as an inter-BMC, and intra-BMC, or a DBMC parcel.

Response:

(a) Confirmed.

(b) The methodology used results in different per-piece contributions for cells with different estimated unit cost bases.

(c) To the extent that the estimated intra/inter-BMC cost differential and the DBMC cost savings relative to intra-BMC rates were passed through completely in the rate design, the unit contribution for comparable intra-BMC, inter-BMC and DBMC pieces of the same weight and zone would have been

the same. However, the cost methodology used in those dockets assumed that the transportation costs underlying intra-BMC and inter-BMC for the same zones and weights were the same. As witness Hatfield's (USPS-T-16) testimony demonstrates, the transportation costs underlying intra-BMC, inter-BMC and DBMC are not the same for any given combination of weight and zone.

(d) It would be possible to assess a per-piece surcharge on top of the estimated transportation costs and per-piece costs, excluding markup, for any given zone and weight combination for DBMC, intra-BMC and inter-BMC.

(e) Because of the relative importance of transportation costs to Parcel Post, I considered it more appropriate to tie the per-piece contribution to the estimated total costs of the providing service to that piece, rather than set the contribution per piece such that it tied only to the transportation costs for inter-BMC. Please also refer to my response to UPS/USPS-T37-34(a).

UPS/USPS-T37-37. Please refer your second iteration for all weights in zones Local, 1 and 2, for the Intra-BMC, Inter-BMC and DBMC categories.
(a) Confirm that this is the only place in your analysis that constrains rates from decreasing by more than 15%. If not confirmed, please explain.
(b) Explain why you use the constraint referred to in (a) above in these areas only and not anywhere else in the analysis.
(c) Explain your reasons for using 15% as a constraint and not some other percentage.
(d) Confirm that your analysis has no other constraint on the amount by which a rate cell can decrease. If not confirmed, please explain.
(e) Confirm that no rates are decreased by more than 15%. If not confirmed, please explain.

Response:

(a) Confirmed. The rates in Zones 3 through 8 were constrained such that they not decrease at all.

(b) As noted in my response to part (a) above, a managerial decision was made to constrain the rates in Zones 3 through 8 from decreasing. However, given the desire to encourage dropshipping, the downward rate change constraint was relaxed somewhat for the Local zone and Zones 1&2.

(c) Please refer to my response to UPS/USPS-T37-29(d).

(d) Not confirmed. Please refer to my responses to parts (a) and (b) above.

(e) None of the basic underlying rates for intra-BMC, inter-BMC or DBMC service decreased more than 15 percent. Please refer to my workpaper WP I.N., pages 7 through 12.

UPS/USPS-T37-38. Confirm that the Springfield, MA BMC and SCF are located in the same building.
(a) What SCFs are served by the Springfield, MA BMC?
(b) Will all Springfield, MA DBMC Parcel Post destinating to the Springfield, MA SCF receive the DSCF discount?
(c) If in a DBMC shipment to the Springfield, MA BMC there are some parcels destinating to the Springfield, MA SCF and some parcels that destinate to other SCFs, how will the DSCF discount be applied? Explain, particularly with respect to minimum volume requirements.
(d) Did you take into account in your rate design the loss in revenue from Springfield, MA DBMC Parcel Post becoming automatically eligible for the DSCF discount? Explain.
(e) Will all inter-BMC presort parcels brought to the Springfield, MA BMC/SCF building receive the OBMC discount? Explain.
(f) Did you take into account in your rate design the loss in revenue from presorted Springfield, MA Inter-BMC Parcel Post receiving the OBMC discount, rather than the inter-BMC presort discount? Explain.

Response:

Confirmed.

(a) Please refer to DMM sections L005 and L602.

(b) No. DSCF parcels must be presorted to the five-digit ZIP Code level, a requirement not currently imposed on DBMC mailings.

(c) It will depend on how the mailer had prepared and entered the mailing. Please refer to my response to UPS/USPS-T37-16

(d) Please refer to my response to part (b) above. I deny that Springfield, MA DBMC Parcel Post volume will automatically be eligible for the DSCF discount. Some portion of that mail may qualify for DSCF rates. Please refer

to my workpapers, particularly WP I.F., for the estimated DSCF volume before and after the introduction of the DSCF discount. I did not have separate analyses for each BMC, and have not developed estimates of mailer adoption of discounts and resulting impacts on revenue on a BMC-specific basis.

(e) I assume that you are referring to the BMC presorted mail. It is my understanding that if the BMC presorted mail otherwise met the requirements for OBMC entry and was dropped at the Springfield SCF/BMC in accordance with postal guidelines, it would qualify as OBMC mail.

(f) Please refer to my workpapers, particularly WP I.F., for the estimated OBMC volume before and after the introduction of the OBMC discount. I did not have separate analyses for each BMC, and have not developed estimates of mailer adoption of discounts and resulting impacts on revenue on a BMC-specific basis.

UPS/USPS-T37-39. For each BMC and ASF, provide the parcel post Government Fiscal Year 1996 volume for each category below:

(i) Intra-BMC
(ii) Inter-BMC
  (a) Originating
  (b) Destinating
(iii) Destination BMC
  (a) Entered at BMC
  (b) Entered at P&DC

Response:

(i) Please refer to the attached charts at pages 9 and 10.

(ii) Please refer to the attached charts at pages 1 through 8.

(iii) Please refer to Attachment S of Library Reference H-135. Statistics are not available separately for volume entered at the BMC and at P&DCs.

GFY-1996 VOLUMES BY ORIG-DEST BMC COMBINATIONS FOR ZONE-RATED PARCEL POST -- INTER-BMC
09:07 Friday, August 15, 1997

	DEST_BMC								
	ASF 01	ASF 02	ASF 03	ASF 04	ASF 05	ASF 06	ASF 07	ASF 08	ASF 09
	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL
ORIG_BMC	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME
ASF 01	0	342	0	0	0	120	0	0	744
ASF 02	0	0	1498	32625	507	2806	4530	5429	360
ASF 03	0	1415	0	2571	13467	6405	12143	1608	5397
ASF 04	0	3432	262	0	719	26580	65	19609	743
ASF 05	0	0	221	0	0	738	4284	2678	938
ASF 06	1054	719	12582	9628	4824	0	52159	8077	1037
ASF 07	0	0	4732	0	2748	17432	0	6266	846
ASF 08	0	309	2057	4419	330	2065	0	0	0
ASF 09	565	340	180	2158	2508	72	1206	2206	0
ASF 10	0	0	240	0	1593	311	0	1847	739
ASF 11	313	36	4156	893	7640	17399	38751	23618	87
BMC 01	18264	1622	84245	6709	40504	19044	24000	30328	141428
BMC 02	5406	4519	53127	7719	5904	19548	29322	10265	136932
BMC 03	25109	1033	58236	6815	41061	12969	16682	7561	130362
BMC 04	2006	4740	51541	10120	16053	5036	18331	2014	12679
BMC 05	5205	1414	116458	1837	20631	5282	7754	2843	1169
BMC 06	12886	4275	55664	5666	27987	5955	44877	23489	53339
BMC 07	17115	2014	37122	12965	32510	12271	31273	27437	79108
BMC 08	10817	1038	91898	15378	59596	14497	44817	15818	128746
BMC 09	8845	2857	168811	10307	17273	49270	317771	11459	13604
BMC 10	781	6490	110458	13157	44966	115207	133629	63014	86935
BMC 11	2942	1218	46928	6820	7217	8497	28897	2961	12220

(CONTINUED)

GFY-1996 VOLUMES BY ORIG-DEST BMC COMBINATIONS FOR ZONE-RATED PARCEL POST -- INTER-BMC
09:07 Friday, August 15, 1997

	DEST_BMC								
	ASF 01	ASF 02	ASF 03	ASF 04	ASF 05	ASF 06	ASF 07	ASF 08	ASF 09
	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL
ORIG_BMC	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME
BMC 12	1977	580	18481	7736	15670	9210	38544	8254	8858
BMC 13	3762	3357	53618	5659	23640	22620	33960	10400	82238
BMC 14	2838	9276	32891	10246	26389	30312	90492	66398	4889
BMC 15	15199	9636	52251	188737	41864	13478	40274	44529	26892
BMC 16	1218	1046	22684	8877	94582	7420	20715	108171	7295
BMC 17	5958	934	39327	7169	20773	2841	18073	4103	41570
BMC 18	15854	348	26492	1433	13108	12287	7973	7871	94378
BMC 19	1277	492	11744	2275	42115	19871	34973	20167	8480
BMC 20	8503	2637	34314	6087	20109	10307	15909	10336	85341
BMC 21	1502	521	19359	2072	7549	9183	12794	4088	10724
ALL	169394	66644	1211577	390078	653839	479032	1124197	552845	1178079

(CONTINUED)

GFY-1996 VOLUMES BY ORIG-DEST BMC COMBINATIONS FOR ZONE-RATED PARCEL POST -- INTER-BMC
09:07 Friday, August 15, 1997

	DEST_BMC								
	ASF 10	ASF 11	BMC 01	BMC 02	BMC 03	BMC 04	BMC 05	BMC 06	BMC 07
	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL
ORIG_BMC	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME
ASF 01	0	0	8666	2464	2955	5627	159	3537	24557
ASF 02	0	373	5648	8417	346	13022	1139	30985	765
ASF 03	415	5175	25316	12704	8656	16715	11696	11353	14328
ASF 04	0	2862	759	5714	344	4333	4655	14475	21564
ASF 05	69	1029	4363	400	494	12246	0	180	4295
ASF 06	324	11405	24429	12232	15025	16565	11361	19673	31384
ASF 07	0	551	204	7275	2228	1512	3623	2260	4183
ASF 08	192	1938	1073	6515	1488	6519	2485	1329	831
ASF 09	463	1276	150709	96270	129772	16089	15146	32560	196374
ASF 10	0	288	214	8764	3949	6284	21	384	2109
ASF 11	98	0	4403	8637	5212	12916	3372	12753	6565
BMC 01	8437	30460	0	530042	606461	50367	113671	184081	1320261
BMC 02	0	27826	380310	0	236991	55552	57884	119173	372316
BMC 03	6759	11431	575820	383510	0	38068	259305	102465	773980
BMC 04	7932	5149	85579	83169	75097	0	48907	117923	142080
BMC 05	5094	15111	52139	92111	45254	35431	0	64835	102183
BMC 06	12208	31748	159396	165854	87586	87789	108248	0	243418
BMC 07	12846	12911	657760	161786	506804	62786	128205	161714	0
BMC 08	9990	30160	365061	587046	248935	107857	317418	224196	466497
BMC 09	5348	19269	148768	108327	81648	68100	228587	86220	139784
BMC 10	6809	111395	276921	34415	161103	27834	144551	75674	158042
BMC 11	2597	1206	74447	41992	22221	46195	39072	61663	54087

(CONTINUED)

GFY-1996 VOLUMES BY ORIG-DEST BMC COMBINATIONS FOR ZONE-RATED PARCEL POST -- INTER-BMC

	DEST_BMC								
	ASF 10	ASF 11	BMC 01	BMC 02	BMC 03	BMC 04	BMC 05	BMC 06	BMC 07
	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME
ORIG_BMC									
BMC 12	3553	16357	92266	95589	92621	51131	37284	177645	148727
BMC 13	14427	22542	648250	246286	484173	57904	156953	289383	906029
BMC 14	4663	58832	99319	43259	46988	61573	34613	58190	57626
BMC 15	4882	18016	127241	164010	63513	140132	74715	370934	227412
BMC 16	5904	153551	43895	8961	28375	31065	28896	20833	87973
BMC 17	4138	4594	135995	168968	94290	50614	355992	94454	166760
BMC 18	1877	3688	213414	210576	162408	24753	83589	129063	347801
BMC 19	4194	31131	20316	9913	19872	27637	14884	22118	45159
BMC 20	1782	10596	367515	167200	229213	25536	55868	148340	351587
BMC 21	5855	5525	97288	166581	105126	38455	54153	151101	102113
ALL	130856	646397	4847485	3638986	3569147	1200605	2396452	2789495	6520791

(CONTINUED)

GFY-1996 VOLUMES BY ORIG-DEST BMC COMBINATIONS FOR ZONE-RATED PARCEL POST -- INTER-BMC

	DEST_BMC								
	BMC 08	BMC 09	BMC 10	BMC 11	BMC 12	BMC 13	BMC 14	BMC 15	BMC 16
	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME	EST_VOL VOLUME
ORIG_BMC									
ASF 01	2959	30	2890	15715	145	1641	204	0	7480
ASF 02	1086	16935	9304	5838	2605	5249	10312	48297	324
ASF 03	15275	151610	14749	57968	11545	6316	13451	13851	1624
ASF 04	9818	1672	5921	1789	540	835	4048	82617	12992
ASF 05	1534	15508	7162	14224	290	710	168	6411	73462
ASF 06	17291	86665	169882	29091	13676	19046	42085	27664	32353
ASF 07	24313	70441	40472	13514	1544	1917	17240	3844	7903
ASF 08	3336	1560	13385	6316	0	907	12854	12127	63342
ASF 09	43615	21251	22525	7943	9219	265925	2090	31175	5128
ASF 10	994	835	6877	8385	0	164	1101	4943	1518
ASF 11	5064	19594	81142	3485	18739	4348	52095	37525	106469
BMC 01	234147	201560	248123	85966	122236	427680	45092	243447	106577
BMC 02	670597	108354	51148	64290	153448	151614	18412	232804	51914
BMC 03	161357	146472	101799	74519	95474	220908	15266	158046	75505
BMC 04	66044	54314	52477	84185	137978	233101	24518	163843	70668
BMC 05	142390	301409	60269	93661	28696	41757	14200	59782	20248
BMC 06	178842	128538	80896	78469	132657	85330	53559	206858	55310
BMC 07	170921	165185	140802	92133	66734	203623	20463	97914	56353
BMC 08	0	317775	132206	151040	248552	231105	57749	300171	294578
BMC 09	113371	0	217662	185348	126426	77800	69640	157781	74794
BMC 10	82539	162475	0	41304	180980	103538	63395	262553	188270
BMC 11	52206	117358	43627	0	49225	13773	23000	50460	22846

(CONTINUED)

GFY-1996 VOLUMES BY ORIG-DEST BMC COMBINATIONS FOR ZONE-RATED PARCEL POST -- INTER-BMC
09:07 Friday, August 15, 1997

	DEST_BMC								
	BMC 08	BMC 09	BMC 10	BMC 11	BMC 12	BMC 13	BMC 14	BMC 15	BMC 16
	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL
	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME
ORIG_BMC									
BMC 12	169410	79096	53417	112970	0	41342	66744	123730	41730
BMC 13	294240	276286	200550	75083	70260	0	71719	86911	132762
BMC 14	49243	112276	119075	86204	23946	29525	0	80012	59204
BMC 15	119745	142063	81663	112761	112160	55855	44050	0	92169
BMC 16	27414	53240	148188	21148	30122	22387	31484	36861	0
BMC 17	129968	115913	37079	64587	90624	108695	19732	78205	25714
BMC 18	272651	141904	50311	37447	43636	129442	16459	84162	20864
BMC 19	17052	65732	546002	20894	6596	14426	39553	7868	168365
BMC 20	257891	152472	96756	90584	37649	154508	11733	98849	32318
BMC 21	157435	46409	23441	25014	64488	43301	6653	69196	18203
ALL	3492752	3274934	2859801	1761874	1880191	2696769	869069	2867908	1920989

(CONTINUED)

GFY-1996 VOLUMES BY ORIG-DEST BMC COMBINATIONS FOR ZONE-RATED PARCEL POST -- INTER-BMC
09:07 Friday, August 15, 1997

	DEST_BMC					
	BMC 17	BMC 18	BMC 19	BMC 20	BMC 21	ALL
	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL
ORIG_BMC	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME
ASF 01	2798	30106	136	6616	344	120236
ASF 02	1941	937	408	3117	6473	221276
ASF 03	23863	18478	17942	9979	19085	525100
ASF 04	436	903	4427	135	11563	243813
ASF 05	455	799	14618	0	783	168063
ASF 06	24469	17894	120408	10507	18584	862095
ASF 07	24	1489	15112	2901	2358	256935
ASF 08	5478	5896	15298	560	0	172609
ASF 09	26994	91497	16225	27908	29045	1248435
ASF 10	174	2849	12208	2430	1130	70351
ASF 11	5447	10038	73045	681	1187	565709
BMC 01	216699	160030	201028	338351	157112	5997973
BMC 02	162170	100376	67689	136111	115798	3607517
BMC 03	121418	173233	147677	164037	232695	4339570
BMC 04	55138	49609	43290	29587	28309	1781415
BMC 05	265122	82049	51670	97687	95999	1929689
BMC 06	142008	70754	59053	130365	143828	2676850
BMC 07	187184	186655	139630	222274	122573	3829071
BMC 08	339362	146218	219396	217039	397982	5792938
BMC 09	168142	95370	136714	91423	54926	3055646
BMC 10	65012	81146	613664	39820	41422	3497499
BMC 11	65069	31307	55620	23284	34333	1043287

(CONTINUED)

GFY-1996 VOLUMES BY ORIG-DEST BMC COMBINATIONS FOR ZONE-RATED PARCEL POST -- INTER-BMC

	DEST_BMC					
	BMC 17	BMC 18	BMC 19	BMC 20	BMC 21	ALL
	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL	EST_VOL
ORIG_BMC	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME	VOLUME
BMC 12	82408	58977	57445	37497	66787	1816036
BMC 13	176386	182986	222696	399088	179514	5433683
BMC 14	105532	33143	82530	57456	51647	1628588
BMC 15	71392	42460	62560	122298	126392	2809284
BMC 16	11608	9073	254760	23630	11230	1362607
BMC 17	0	370419	69334	149471	75993	2552288
BMC 18	306576	0	112173	150568	82475	2805583
BMC 19	10860	16535	0	17094	24838	1292434
BMC 20	238310	203564	61497	0	104630	3091940
BMC 21	79477	41589	35735	54534	0	1459462
ALL	2961951	2316376	2983987	2566449	2239034	66257981

GFY-1996 INTRA-BMC ZONE-RATE PARCEL POST VOLUMES BY BMC/ASF 09:07 Friday, August 15, 1997 9

OBS	BMC/ASF	GFY-96 VOLUME	PERCENT TOTAL VOLUME
1	ASF 01	52,043	0.11
2	ASF 02	287,743	0.63
3	ASF 03	699,271	1.52
4	ASF 04	688,761	1.50
5	ASF 05	146,591	0.32
6	ASF 06	514,679	1.12
7	ASF 07	272,200	0.59
8	ASF 08	332,611	0.72
9	ASF 09	14,029	0.03
10	ASF 10	222,329	0.48
11	ASF 11	446,338	0.97
12	BMC 01	2,342,292	5.09
13	BMC 02	881,028	1.92
14	BMC 03	1,529,953	3.33
15	BMC 04	2,413,119	5 25
16	BMC 05	756,393	1.64
17	BMC 06	5,089,008	11.06
18	BMC 07	1,074,899	2.34
19	BMC 08	2,524,710	5.49
20	BMC 09	1,301,725	2.83
21	BMC 10	1,098,786	2.39
22	BMC 11	2,236,990	4.86
23	BMC 12	1,751,213	3.81
24	BMC 13	2,725,714	5.93
25	BMC 14	1,785,886	3.88
26	BMC 15	4,245,369	9.23
27	BMC 16	1,993,452	4.33

GFY-1996 INTRA-BMC ZONE-RATE PARCEL POST VOLUMES BY BMC/ASF 09:07 Friday, August 15, 1997 10

OBS	BMC/ASF	GFY-96 VOLUME	PERCENT TOTAL VOLUME
28	BMC 17	1,774,855	3.86
29	BMC 18	2,010,513	4.37
30	BMC 19	2,166,373	4.71
31	BMC 20	1,102,743	2.40
32	BMC 21	1,514,664	3.29
33	ALL	45,996,280	100.00

UPS/USPS-T37-40. For each BMC and ASF, provide the estimated test year before rates Parcel Post volume for each category below:
(i) Intra-BMC
(ii) Inter-BMC
    (a) Originating
    (b) Destinating
(iii) Destination BMC
(iv) Destination SCF
(v) Destination Delivery Unit

Response:

Aside from applying an inflation factor representing the ratios of TYBR total volumes from WP I.A. to the FY 1996 volumes for each of these categories as provided in the response to UPS/USPS-T37-39, I have no estimates of volume by BMC or ASF for the test year.

DECLARATION

I, Virginia J. Mayes, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Virginia J. Mayes

Dated: August 20, 1997

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.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
August 20, 1997