

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MAYES TO INTERROGATORIES OF
THE PARCEL SHIPPERS ASSOCIATION
(PSA/USPS-T37-1, 3-5)

The United States Postal Service hereby provides responses of witness Mayes to the following interrogatories of the Parcel Shippers Association: PSA/USPS-T37-1, 3-5, filed on August 18, 1997. Interrogatories PSA/USPS-T37-2 & 6 were redirected to witness Moeller.

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



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September 2, 1997

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO PSA INTERROGATORIES

PSA/USPS-T37-1. Since the stop loss 70 pound rate will be applied to parcels exceeding 108 inches so as "to begin recovering the additional transportation and handling costs that these pieces will incur." Please explain why it is still necessary to limit the number of parcels exceeding 108 inches in any mailing to no more than 10% of the mailing.

Response:

As can be seen from the financial analyses associated with the parcels exceeding 108 inches in combined length and girth, even with the stop loss 70-pound rate, these oversized parcels will most likely be carried at rates less than their costs. Depending on the nature of the other 90 percent of the parcels tendered by the customer mailing 10 percent oversized parcels, there is at least an expectation that this 90 percent will yield a positive impact on postal finances. The Postal Service is not pursuing the oversize parcel market. Rather, as noted in my testimony at page 18, the desire is to make shipping more convenient for the customers already using the Postal Service who may have an occasional oversized piece.

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PSA/USPS-T37-3. At the conclusion of your testimony you reproduce five tables indicating the proposed parcel post rates by each rate category and zone. For each table, please provide an estimate of the amount of volume the Postal Service anticipates will be realized for each rate cell in each table for the Test Year.

Response:

Please refer to my workpapers at WP II.A. and WP I.A.

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PSA/USPS-T37-4. Directing your attention to your responses to UPS/USPS-T37-6 (a) and (b):

- (a) Please explain on what evidentiary basis you have confirmed the statements in those UPS questions?
- (b) Since you do not currently carry parcels exceeding 108 inches in combined length and girth, how do you know what the weight of such parcels will be; and, therefore, how do you know that the rates for these parcels will not cover the costs?
- (c) On what basis are you able to state that, in all events, for example, a 109 inch parcel in combined length and girth will not generate sufficient revenue at the 70 pound rate to cover the costs of that 109 inch parcel?

Response:

- (a) Please refer to my workpaper WP I.H., page 13 for the estimated cube for pieces exceeding 108 inches in combined length and girth, and to workpaper WP I.E., page 2 for the average cubes of pieces with combined length and girth less than 108 inches and weight of 70 pounds. The estimated cube for the pieces exceeding 108 inches in combined length and girth is more than twice the estimated cubes for the 70-pound pieces.
- (b) Given that the rates for the heaviest (70-pound) parcels with combined length and girth less than 108 inches are insufficient to cover the estimated costs of the pieces exceeding 108 inches in combined length and girth, and that the transportation costs and some other handling costs are directly related to the cube of the parcel, and not to its weight, the actual weights of the parcels exceeding 108 inches in combined length and girth do not seem particularly relevant.

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(c) I cannot unequivocally state that any given parcel with combined length and girth of 109 inches will not have costs that are lower than the applicable 70-pound rate. On the other hand, I am not setting individual rates for individual parcels, I am setting rates that would be applicable to broad ranges of parcels. The aggregate data indicate that the parcel exceeding 108 inches in combined length and girth would not, on average, cover its costs at the applicable 70-pound rate.

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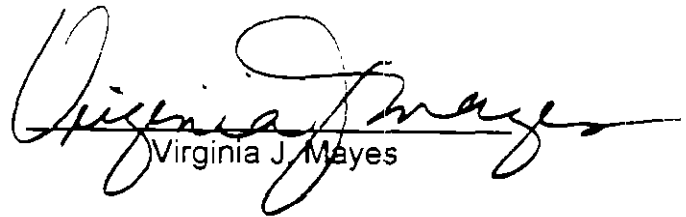
PSA/USPS-T37-5. In your response to UPS/USPS-T37-11 (b) - (f), you there state that parcel post rates were developed by processes which included "recovering losses associated with various factors such as Alaska transportation costs...." Please explain what you mean by "recovering" these losses, and explain why Alaska transportation costs are characterized as a "loss."

Response:

By "losses," I meant that the rates charged to parcels traveling via Alaska Bypass air transportation are not compensatory. Because the costs associated with this mode of transportation are so much higher than are the costs associated with other modes of transportation, and the parcels using this mode are not paying sufficient revenue to cover these costs, the amount of this difference between cost and revenue must be made up through revenue from other mail.

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:

9-2-97

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 Reiter", is written over a horizontal line.

Scott L. Reiter

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