

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

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MAYES TO INTERROGATORIES OF
UNITED PARCEL SERVICE
(UPS/USPS-T37-52-56)

The United States Postal Service hereby provides responses of witness Mayes to the following interrogatories of United Parcel Service: UPS/USPS-T37-52-56, filed on August 27, 1997.

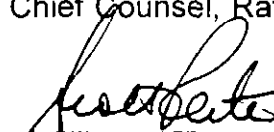
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Scott L. Reiter

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September 10, 1997

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO UPS INTERROGATORIES

UPS/USPS-T37-52. Please explain how offering the packaging service leads to a net loss in Parcel Post volume due to a shift towards Priority Mail.

Response:

Please refer to Docket No. MC97-5, Exhibit USPS-3D, at page 2.

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UPS/USPS-T37-53. Referring to WP I.A., page 23, and WP I.F., please confirm that you assume that no additional volume will be DDU entered as a result of the proposed DDU discount. Please explain your answer in detail.

Response:

The market study did not include questions regarding the DDU discount. Please see my responses to UPS/USPS-T37-46(e), UPS/USPS-T37-47(m), and UPS/USPS-T37-56(b).

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UPS/USPS-T37-54. Referring to WP II.C., page 1, lines 13 - 23:

- (a) Please confirm that these numbers are changes in revenues, not actual revenues.
- (b) Please provide the TYAR revenues, as well as the TYBR and TYAR rates volumes for these categories.

Response:

- (a) The numbers represented in lines 13 through 23 of workpaper WP II.C., page 1 are the adjustments to the baseline TYAR revenues. The baseline revenues, shown in lines 1 through 12, were calculated by multiplying the unadjusted TYAR forecasted Parcel Post volumes by the proposed rates, and making adjustments for such things as pickup fees, but not making adjustments for new discounts or surcharges or service features. The revenue figures shown in lines 13 through 17 are changes to Parcel Post revenues caused by the addition or departure of volumes that were not included in the unadjusted TYAR volume forecast. The figures at lines 13 through 17 represent the total revenue associated with the volumes in question. The revenue figures shown in lines 18 through 23 represent only the changes to the revenues for pieces that will receive discounts or surcharges that are not currently available for worksharing activities they are already performing, but do not represent the full revenue associated with such pieces.
- (b) For line 13, please refer to workpaper WP I.H., pages 1 through 6 for the test year volumes and pages 14 through 19 for the test year revenues. For line

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14, please refer to workpaper WP I.F., page 1, cell B58 for the test year volume. The revenue is calculated by deriving an average revenue per piece for all Parcel Post excluding the volume associated with line 14. The volumes associated with line 15 are derived from cells B17, C17, and D17 of page 1 of workpaper WP I.F. The revenue was derived by multiplying these volumes by the appropriate average intra-BMC, inter-BMC and DBMC revenue per piece estimates which were developed by dividing the revenue figures in lines 1 through 3 by the volume estimates on page 1 of workpaper WP II.A. The volume underlying line 16 comes from WP II.C., page 4, cell G21. To estimate revenue, this figure was split into intra-BMC and inter-BMC based on the shares of each from workpaper II.A., page 1, then multiplied by the average intra-BMC and inter-BMC revenue per piece figures estimated as described above in the derivation of line 15. The volume and revenue figures underlying line 17 are derived on page 4 of workpaper WP I.O.

In TYBR, the volume barcoded could be developed by multiplying the calendar year volume from cell B24 of page 1 of WP I.F., the "currently barcoded" volume, by the ratio of total TYBR Parcel Post volume from cell D29 of workpaper WP II.A. to the calendar year total volume from cell B9 of page 1 of workpaper WP I.F. The TYAR volume was estimated by multiplying cell B25 from WP I.F., page 1 by the ratio of total TYBR Parcel Post volume from cell D29 of workpaper WP II.A. to the calendar year total volume from cell B9 of page 1 of workpaper WP I.F., then splitting the volume

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into the shares associated with machinable intra-BMC, machinable inter-BMC and machinable DBMC and multiplying these shares by the ratios of non-Alaska, non-OMAS intra-BMC, inter-BMC and DBMC TYAR volume to TYBR volumes as shown at page 1 of WP II.A. The TYBR BMC presorted volume could be derived by multiplying the sum of cells B31 and B38 on page 1 of workpaper WP I.F. by the ratio of the total TYBR Parcel Post volume from page 1 of WP II.A. to the calendar year Parcel Post volume from cell B9 of page 1 of WP I.F. The TYAR volume figure underlying line 19 can be derived by dividing the sum of cells K25 and K27 from page 2 of WP I.I. by the BMC presort discount provided at page 1 of WP I.I., then multiplying by the ratio of TYAR inter-BMC volume to TYBR inter-BMC volume as shown at page 1 of WP II.A. The TYBR OBMC entered volume could be derived by multiplying the sum of cells B41 and B34 of page 1 of WP I.F. by the ratio of the total TYBR Parcel Post volume from page 1 of WP II.A. to the calendar year Parcel Post volume shown at cell B9 of page 1 of WP I.F. The TYAR volume figure underlying line 20 can be derived by dividing cell K31 on page 2 of WP I.I. by cell D43 of page 1 of WP I.I., then multiplying by the ratio of TYAR inter-BMC volume to TYBR inter-BMC volume as shown at page 1 of WP II.A.

The TYAR volume underlying line 21 is derived by multiplying the volume figure shown at page 14 of WP I.A. by the ratio of DBMC TYAR volume to TYBR volume, as shown at page 1 of WP II.A. As no DSCF discount would be available in TYBR, the TYBR volume could be developed by multiplying

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cell B48 of workpaper WP I.F. by the ratio of total TYBR Parcel Post as shown at WP II.A., page 1, to the calendar year volume shown at cell B9 on page 1 of WP I.F. The TYAR volume underlying line 22 is developed by multiplying the TYBR volume shown at page 23 of WP I.A. by the ratio of TYAR to TYBR intra-BMC volumes as shown at page 1 of WP II.A. The TYAR volume underlying line 23 is developed by taking the three total TYBR volume figures from pages 13-18 of WP I.G., and adjusting them to TYAR by multiplying by the ratio of TYAR to TYBR intra-BMC, inter-BMC and DBMC volumes as shown at page 1 of WP II.A.

As described in my response to part (a) above, the revenue figures shown at lines 18 - 23 represent changes to revenue and not the total revenue for the pieces in question. As the volumes in lines 18 through 23 are already incorporated into the TYAR volume forecast, the revenues associated with those pieces, excluding the loss or gain due to application of new discounts or surcharges for existing characteristics, are subsumed in the revenue figures shown at lines 1 through 12. I have not estimated separate total revenue figures for the volumes associated with lines 18 through 23.

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UPS/USPS-T37-55. Referring to WP II.C., page 3, lines 2 - 10, please confirm that these numbers are changes in cost, not actual cost.

Response:

The numbers represented in lines 2 through 10 of workpaper WP II.C., page 3 are the adjustments to the unadjusted rollforward TYAR cost. The rollforward cost, shown in line 1, was tied to the unadjusted TYAR volume forecast and did not make any adjustments for adoption of new discounts or surcharges or service features, or for volume adjustments that were not incorporated into the unadjusted TYAR volume forecast.

The cost figures shown in lines 2 through 6 are changes to Parcel Post costs caused by the addition or departure of volumes that were not incorporated into the unadjusted TYAR volume forecast. These figures represent the total cost associated with the volumes in question. The cost figures shown in lines 7 through 10 represent only the changes to the costs for pieces that will be performing the worksharing activities and did not do so in the absence of the discounts, but do not represent the full costs associated with such pieces.

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UPS/USPS-T37-56. Refer to your response to UPS/USPS-T37-3.

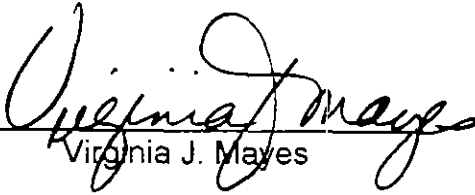
- (a) Confirm that you have no survey data with respect to the amount of current volume entered as DDU or new volume that would be entered as DDU if a discount were implemented. If not confirmed, please explain.
- (b) Confirm that you assumed that there would be no new volume attracted by the implementation of DDU program in and of itself (i.e., other than the growth applicable to parcel post as a whole from the base year to the test year). If not confirmed, please explain.

Response:

- (a) Confirmed.
- (b) It is my understanding that because the TYAR fixed weight index for intra-BMC Parcel Post shows a small impact due to the availability of the DDU discount for the volume that is currently DDU entered, there was some small increase in the total volume of intra-BMC Parcel Post. Please refer Library Reference H-172 at rows 563 through 631 of worksheet STBA96A.WK4, and page 5 of the documentation. I did not separately identify additional volume that would have been DDU entered. Please also refer to my response to UPS/USPS-T37-53.

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: 9-10-97

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.



Scott L. Reiter

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