

BEFORE THE
POSTAL RATE COMMISSION

POSTAL RATE AND FEE CHANGES, 1997

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FIFTH SET OF INTERROGATORIES FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS CRUM
(UPS/USPS-T28-22 through 38)

(September 12, 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 Crum (UPS/USPS-T28-22 through 38).

Respectfully submitted,



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14. **UPS/USPS-T28-22.** Please Refer to your response to UPS/USPS-T28-

- (a) Confirm that to receive the proposed Parcel Post DSCF discount, drivers will be required to unload their dropshipments without Postal Service assistance. If not confirmed, please explain.
- (b) Confirm that the Parcel Post DSCF shipments eligible for the DSCF discount will be contained in sacks for machinables, and GPMCs for non-machinables. If not confirmed, please explain.
- (c) Confirm that it is current Postal Service policy that when unloading dropshipment mail at BMCs, ASFs, and SCFs, drivers will unload *bedloaded mail with Postal Service assistance, and Postal Service personnel will unload containers and pallets.* If not confirmed, please explain.
- (d) Describe and explain any discrepancy between the current Postal Service policy concerning Postal Service assistance at SCFs in unloading dropshipments, and the proposed requirement for drivers to unload their DSCF shipment without Postal Service assistance in order to receive the DSCF discount.

UPS/USPS-T28-23. Refer to Exhibit B of your testimony. Please provide the specific page and line number of USPS-T-37, which is identified in Exhibit B as the source for the "Proportion of Inter-BMC volume deposited at BMC's by mailers".

UPS/USPS-T28-24. Refer to Exhibit C of your testimony. Library Reference H-144 is cited in Exhibit C as support for the "FY 1996 Processing Costs" of \$23,977,000. Please explain why, in LR-H-144, Table 1, "Development of Standard (B) Parcel Post Mail Processing Costs by Basic Function," no adjustment is made for IOCS

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tallies for postage due, mail preparation, platform acceptance, and central mail markup as there was in Tables 1, 2 and 3 in LR-PCR-39 (Docket No. MC97-2).

UPS/USPS-T28-25. Refer to page 5, lines 27-29, of your testimony. You state that "Exhibit G results are contingent on the assumption that DSCF will not be allowed at those SCFs that are bypassed by the 12.3 percent of parcel volume that gets direct transportation from the BMC to the delivery unit."

- (a) What is the basis for this assumption?
- (b) Please explain whether there will be a regulation disallowing DSCF at certain SCFs.
- (c) Please describe how this regulation will work in practice.
- (d) Please explain which SCFs will not allow DSCF and whether it will be for some or all addresses served by the SCF.
- (e) If this regulation limiting DSCF is not instituted, do you agree that the DSCF mail processing costs avoided that you have determined are overstated? Explain your answer.

UPS/USPS-T28-26. Refer to Exhibit G, page 2 of 3, of your testimony. Please explain why "USPS-T-29, Appendix V, page 3 & 4 [was] updated to remove assumption of 12.3 percent direct transportation from destination BMC to destination delivery unit."

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UPS/USPS-T28-27. Refer to Exhibit C of your testimony.

- (a) Confirm that non-DBMC parcel post has a lower percentage of pieces that are machinable than does DBMC parcel post. If not confirmed, please explain.
- (b) Confirm that a machinable parcel incurs less outgoing mail processing costs at non-BMC facilities than a non-machinable parcel. If not confirmed, please explain.
- (c) Please provide an estimate of the amount by which outgoing mail processing costs are different for machinable and non-machinable parcels at non-BMC facilities. If you cannot provide an estimate, explain what analysis and data would be required to provide such an estimate.
- (d) Confirm that if DBMC has a lower percentage of pieces that are machinable, and if machinable parcels incur less outgoing mail processing costs at non-BMC facilities than non-machinable parcels, then the \$0.358 of Unit Costs Avoided identified in Exhibit C is an overestimate of the outgoing mail processing costs at non-BMC facilities avoided by the average DBMC piece. If not confirmed, please explain.

UPS/USPS-T28-28. Please refer to the table at page 3 of your response to UPS/USPS-T28-17-18.

- (a) Please cite the source from which you obtained the average number of pieces of Parcel Post per sack for machinable DSCF Drop Ship parcels. If no source is available, define the basis for your derivation of that number.
- (b) Please define the basis for the derivation of the average number of pieces of Parcel Post per sack for machinable parcels that are downstream to SCFs and Delivery units.
- (c) Explain all reasons, and provide all supporting data, why the number of pieces of machinable DSCF drop ship parcels per sack

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exceeds that of parcels headed downstream to SCFs and Delivery units.

- (d) Following Daniel's methodology in USPS-T-29, is it accurate to take the size of a container and divide it by the average size parcel to obtain an average number of parcels per container?
- (e) Please confirm that the same size sacks are used for machinable DSCF Drop Ship parcels and for those that are delivered "downstream to SCFs and Delivery Units". If not confirmed, please explain.
- (f) Please confirm that on average, DBMC machinable parcels are larger (in size) than Intra-BMC machinable parcels. If not confirmed, please explain.
- (g) If the answer to (e) is in the affirmative, please confirm that fewer DBMC parcels than Intra-BMC parcels would fit in the same size sack. If confirmed, explain how this was taken into account in your analysis of DSCF savings.

UPS/USPS-T28-29. Please refer to Exhibit C of your testimony.

Confirm that this Exhibit is meant to follow Commission methodology established in R90-1. If not confirmed, please explain, detailing all instances and reasons it deviates from Commission methodology.

UPS/USPS-T28-30. Please refer to Exhibit C of your testimony.

Confirm that in R90-1 and MC97-2, the Mail Processing Costs at Non-BMC Facilities ("FY 1996 Mail Processing Costs" in Exhibit C) excluded the outgoing mail processing costs of each of the following mail processing operations:

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postage due; mail preparation; platform acceptance; central mail markup. If not confirmed, please explain.

UPS/USPS-T28-31. Please refer to Exhibit C of your testimony.

Confirm that LR-H-144, cited in Exhibit C as support for the "FY 1996 Mail Processing Costs," does not exclude the outgoing mail processing costs of each of the following mail processing operations: postage due; mail preparation; platform acceptance; central mail markup. If not confirmed, please explain. If confirmed, please explain why you have chosen to deviate from Commission methodology.

UPS/USPS-T28-32. Please refer to Exhibit C of your testimony.

Confirm that in R90-1, and in R94-1, the Commission methodology excluded ASF costs from the calculation of Mail Processing Costs at Non-BMC Facilities. If not confirmed, please explain in full.

UPS/USPS-T28-33. Please refer to Exhibit C of your testimony.

Explain why ASF costs are not excluded from the calculation of Mail Processing Costs at Non-BMC Facilities ("FY 1996 Mail Processing Costs") in Exhibit C.

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UPS/USPS-T28-34. Please refer to LR-H-144, Table 1, column (10), "Variable Mail Proc. Costs."

- (a) Are these numbers intended to match the variable mail processing costs by cost pool for Parcels - Zone Rate in USPS-T-12, Table 5? If your answer is no, please explain.
- (b) Confirm that the numbers do not match the variable mail processing costs by cost pool for Parcels - Zone Rate in USPS-T-12, Table 5. If not confirmed, please explain. If confirmed, please explain why they do not match and provide a corrected Table 1 of LR-H-144.

UPS/USPS-T28-35. Please provide the most recent version of Management Instruction DM-470-80-3, Mail Acceptance at Bulk Mail centers, and copies of all other Postal Service publications concerning mail acceptance at bulk mail centers. Also, if mail acceptance at bulk mail centers is discussed as a section of a larger Postal Service publication, please provide copies of the relevant sections or pages.

UPS/USPS-T28-36. Have you or the Postal Service conducted any tests, surveys or analyses to confirm the acceptance and processing costs estimated to be saved or avoided under the DBMC Parcel Post service?

- (a) If yes, please identify, describe and provide copies of all such tests, surveys and analyses.
- (b) Provide copies of all notes, reports, workpapers and other source documents used in or related to the tests, surveys and analyses identified in (a), above.

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- (c) If your answer to (a) is no, please explain how the Postal Service can substantiate the accuracy of estimated avoided costs for DBMC mailings.


UPS/USPS-T28-37. Please identify and describe new, or modifications to, acceptance procedures, processing operations, activities, manning levels, and facility design at AOs, SCFs, BMCs, and ASFs, that will be required to support the proposed DBMC, DSCF, DDU drop ship discounts for Parcel Post.

UPS/USPS-T28-38. Please provide a detailed explanation of the processing of DBMC pallets of Parcel Post mail that are received at BMCs and cross-docked for delivery to an SCF within the BMC service area, including:

- (a) Requirements for containing the parcels on the pallet, e.g. shrink wrapping;
- (b) Requirements and type of information on labels, placards, etc. for the mail on the pallet; please provide an example of an actual completed label, placard etc.;
- (c) Presortation requirements of parcels on a pallet including number of zip digits e.g., all with the same 3 digit destination zip etc.;
- (d) Origin zip code used for the palletized mail for determining DBMC postage from a zone chart.

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.



Albert P. Parker, II

Dated: September 12, 1997
Philadelphia, PA