

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE DIVISION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

DOCKET NO. R97-1

STATEMENT BY INTERVENOR UNITED
PARCEL SERVICE PURSUANT TO RULE 92

(January 8, 1998)

United Parcel Service ("UPS") submits the following information in accordance with Commission Rule 92, 39 C.F.R. § 3001.92.

(a) Description of Intervenor

UPS provides prompt, dependable parcel delivery services for the general public. UPS also provides expedited delivery services by air for documents and parcels.

UPS has specialized in the delivery of parcels since its founding in 1907, beginning as a service for retail stores. In 1922, UPS began to provide parcel delivery service for all types of shippers as a common carrier. Starting in 1953, UPS expanded its service from a small operation in California to one covering increasingly broader areas of the country with door-to-door pickup and delivery service.

Today UPS provides service in all 50 states, the District of Columbia, and Puerto Rico. In addition to its ground services, UPS also offers a number of other services, including a domestic next-day air service, a domestic second-day service, three day select service, and international service.

By virtue of its surface, air, and international services, UPS competes with the Postal Service in International Express Mail and other international services, domestic Express Mail, Priority Mail, Parcel Post, and other package services provided by the Postal Service. The Postal Service handles packages and expedited products as part of First Class Mail, Express Mail, Priority Mail, Standard (A) Mail, and Standard (B) Mail (including Parcel Post). In FY 1996 the Postal Service's domestic volume of package and expedited products exceeded 3.4 billion parcels.

In 1996, the approximate number of UPS employees was 338,000 and UPS's fleet consisted of approximately 156,000 vehicles. There are approximately 1.46 million customer locations in the United States at which UPS provides daily pickup service. UPS makes deliveries to millions of consignees each day.

With minor exceptions, UPS common stock is owned by or held for the benefit of its active employees and their families, former employees and their estates or heirs, charitable foundations established by UPS founders and their family members, or by other charitable organizations that acquired stock by donations from shareowners or from UPS itself. UPS's common stock is not listed on a national securities exchange or traded in the organized over-the-counter markets.

(b) - (d) Usage of Postal Services

UPS is a large user of First Class Mail and Standard (A) Mail. Its postage payments in 1994 exceeded \$38.9 million. In its mailings to its customers, vendors, and employees, UPS primarily uses First Class Mail and Standard (A) Mail.

(e) Financial Impact of Rate Changes

UPS and other private enterprise competitors of the Postal Service face greater financial risks than does the Postal Service, and the Postal Service has a number of advantages not available to private enterprises such as UPS. Other private enterprise competitors of the Postal Service include hundreds of national, regional, and local carriers. These private firms compete while carrying the burden of large costs that the Postal Service does not bear, such as federal and state income taxes and vehicle license fees.

(f) Absorption/Avoidance of Rate Changes

Not applicable.

(g) Demand for Postal Services

Not applicable.

(h) Competitor Operations

Both UPS and the Postal Service accept packages from the public, transport them to their destinations, and deliver them to consignees. While UPS's ground parcel delivery services are often compared with Parcel Post, UPS also delivers many packages of the type handled in other classes and subclasses of mail.

UPS has uniform maximum weight and size limits on packages of 150 pounds and 130 inches in length and girth combined. The Postal Service currently has package limitations for Parcel Post of 70 pounds and 108 inches in length and girth combined. Bound Printed Matter has a weight limit of 15 pounds.

(i) Impact of Rate Changes on Users' Suppliers

UPS has no information on this subject.

(j) Statement of Revenues, Volumes,
Costs, and Profits

Attachment A is an audited schedule of UPS's revenues, costs (including federal income tax), and net income for the period ended December 31, 1996, and for each of the preceding four years, prepared by the Company's auditors, Deloitte & Touche. Attachment B is a statement of UPS's annual volumes for each of the five years from 1992 to 1996, inclusive.

(k) Studies of Postal Service Costs,
Operations, Rates, and Rate Structures

UPS is submitting in this docket, through the testimony and exhibits of witnesses Kevin Neels (UPS-T-1), Stephen E. Sellick (UPS-T-2), J. Stephen Henderson (UPS-T-3), and Ralph L. Luciani (UPS-T-4), analyses of certain Postal Service costs and operations and of certain rates and rate structures. UPS believes that these analyses will help the Commission in evaluating the merits of the Postal Service's proposals in this docket.



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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Parcel Service of America, Inc.
Atlanta, Georgia

We have audited the accompanying Schedule of Consolidated Revenue, Costs, and Net Income (the "schedule") of United Parcel Service of America, Inc., and its subsidiaries for each of the five years in the period ended December 31, 1996. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audits provide a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with Section 3001.92(j) of the Rules of Practice and Procedures of the Postal Rate Commission and is not intended to be a complete presentation of the Company's revenues and expenses.

In our opinion, the schedule referred to above presents fairly, in all material respects, the consolidated revenue, costs, and net income of United Parcel Service of America, Inc., and its subsidiaries for each of the five years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

February 10, 1997

Attachment A

UNITED PARCEL SERVICE OF AMERICA, INC. AND SUBSIDIARIES

SCHEDULE OF CONSOLIDATED REVENUE, COSTS, AND NET INCOME

(In Millions)

	Year Ended December 31,				
	1996	1995	1994	1993	1992
Revenue	<u>\$22,368</u>	<u>\$21,045</u>	<u>\$19,576</u>	<u>\$17,782</u>	<u>\$16,519</u>
Costs (including income taxes and cumulative effect of a change in accounting principle in 1992)	<u>\$21,222</u>	<u>\$20,002</u>	<u>\$18,633</u>	<u>\$16,972</u>	<u>\$16,003</u>
Net Income	<u>\$ 1,146</u>	<u>\$ 1,043</u>	<u>\$ 943</u>	<u>\$ 810</u>	<u>\$ 516</u>


Attachment B

UPS Annual Volumes 1992-1996

<u>Year</u>	<u>Volume</u> <u>(billions)</u>
1992	2.94
1993	2.95
1994	3.03
1995	3.09
1996	3.15

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: January 8, 1998
Philadelphia, PA