

# DOCKET SECTION

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

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
THE PARCEL SHIPPERS ASSOCIATION WITNESS JELLISON  
(USPS/PSA-T1-27-46)

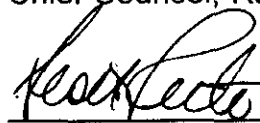
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Parcel Shippers Association witness Jellison: USPS/PSA-T1-27-46.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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INTERROGATORIES OF UNITED STATES POSTAL SERVICE  
TO PSA WITNESS JELLISON

USPS/PSA-T1-27. Please refer to the second paragraph on page 21 of your testimony.

- (a) Please confirm that you have examined the testimony of witness Crum. If you cannot confirm, please provide the basis for your statement in this paragraph.
- (b) If your response to part (a) is affirmative, please confirm that Table 3 in Exhibit K of witness Crum's testimony shows unit cost differences between Standard Mail (A) parcels and flats of 23.41 cents in Mail Processing, 8.18 cents in City Carriers, 1.46 cents in Vehicle Service Drivers, 0.86 cents in Rural Carriers, and 6.37 cents in Transportation. If you cannot confirm, please explain fully?
- (c) Please confirm that Table 3 in Exhibit K of witness Crum's testimony shows that the density of Standard Mail (A) parcels is 39 percent of the density of Standard Mail (A) flats and that cubic volume is a widely recognized cost driver (see, e.g., USPS-T-37, page 13, lines 17-23 and Tr. 5/2369 (lines 24-25), 2370(line 1)). If you cannot confirm, please explain fully.

USPS/PSA-T1-28.

- (a) Please refer to page 24 of your testimony and confirm that First Class Mail can be entered single piece in any one of the 312,000 collection boxes whereas Bulk Standard Mail (A) is inducted by trained mail acceptance clerks at specified locations. If you cannot confirm, please explain fully.
- (b) Do you believe it makes sense to have identical rate structures and rules for two mail classes with such differing acceptance criteria? Please explain.
- (c) Are you proposing that these two mail classes have identical rate structures with regard to non-letter, non-flat pieces?

USPS/PSA-T1-29. On page 24 of your testimony you state "This is certainly a significant enough segment of mail volume, 758.4 million pieces, to warrant discrete treatment."

- (a) Please confirm that the figure in this passage is your estimate of pieces subject to the nonstandard surcharge.
- (b) Is it your testimony that these pieces (whatever the volume) do not receive discrete rate treatment? Please explain.

USPS/PSA-T1-30. Please refer to page 27 of your testimony.

- (a) Please confirm that you have broken out "regular for-profit" costs from the other three subclasses of Standard Mail (A), but you have made the Exhibit K, Table 7 adjustment based on all four subclasses of Standard Mail (A). If you cannot confirm, please explain fully the methodology you have used to derive your calculations.
- (b) If you confirm part (a), please also confirm that properly making this adjustment by using only the "regular for-profit" volumes changes the figure from 7.3 cents to 1.2 cents and the adjusted parcel/flat cost difference for commercial regular from 25.8 cents to 31.9.

USPS/PSA-T1-31. Please supply all studies you have completed showing that weight itself has any significant impact on Standard Mail (A) parcel costs.

USPS/PSA-T1-32. Please refer to page 27 of your testimony. Confirm that you have adjusted costs based on the varying presort and dropship characteristics of parcels versus flats, and then you compare these numbers to revenues that you have not adjusted based on the varying dropship characteristics of parcels versus flats. If you cannot confirm, please explain fully. If you can confirm, please provide the rationale for this comparison of unadjusted revenues to adjusted costs.

USPS/PSA-T1-33. In the last sentence on page 24 of your testimony, you compare percentages of pieces that are being, and are not being, singled out for surcharge in Standard Mail (A) and in First-Class Mail.

- (a) Please derive the percentage of Standard Mail (A) pieces which you believe would be surcharged by virtue of the residual shape surcharge.
- (b) Please derive the percentage of First-Class Mail parcels (as a percent of total FCM) which are NOT being surcharged as referred to in the last sentence of your testimony on page 24.

USPS/PSA-T1-34. Please see your testimony at page 3, lines 12-14.

- (a) Confirm that the survey of your membership suggests that the Postal Service carries 97.6 percent of the respondents' pieces that would qualify as Standard Mail (A) parcels. If you cannot confirm, what is the correct estimate of the percent of pieces?
- (b) Would you describe this portion of the parcel delivery market (pieces less than one pound) as being dominated by one carrier? If not, what percentage would one carrier have to carry in order for you to declare that part of the market dominated by one carrier?
- (c) What is the average rate paid by your members for parcels sent via Standard Mail (A)?
- (d) What is the current maximum rate possible for a Standard Mail (A) parcel?
- (e) What is the average rate paid by the 2.4 percent of the parcels which are shipped via UPS?
- (f) If these parcels are delivered to a residence, are they subject to the residential surcharge imposed by UPS?

USPS/PSA-T1-35. Please see your testimony at page 20, line 16-20. Is it your testimony that the Commission's Recommended Decision and Vice Chairman LeBlanc's Dissenting Opinion included findings that were not supported by "evidence of record?"

USPS/PSA-T1-36. Please see your testimony at page 21, lines 6-10, where you state that you do not know where ECR parcel volume comes from or how many ECR parcels there are. Is it your contention that there is no ECR parcel (non-letter, non-flat) volume? If so, please explain.

USPS/PSA-T1-37. Please see your testimony at page 23, lines 3-5, where you state there were "hundreds of millions of parcels that weighed more than 8 ounces." Were there also hundreds of millions of parcels that weighed less than 8 ounces? Please explain any negative response.

USPS/PSA-T1-38. Please see your testimony at page 23, lines 9-11.

- (a) Do you think that it is possible that Standard Mail (A) parcels will have a higher implicit cost coverage than Standard Mail (A) flats with implementation of a residual shape surcharge? If so, please state what those coverages might be and show their derivation.
- (b) Is it your understanding that Standard Mail (A) Regular letters have a higher implicit cost coverage than Standard Mail (A) Regular nonletters? If not, what is your understanding of the relative implicit cost coverages.
- (c) Is it your contention that parcels should have a lower implicit coverage than either flats or letters? If so, why?

USPS/PSA-T1-39. Please see your testimony at page 23, lines 11-14, where you state that the Postal Service agrees that it is possible that "the *average* cost difference between letters and nonletters was greater than the *average* cost difference between flats and residual shape pieces" (emphasis added).

- (a) Please provide the citation for this passage and explain how it speaks to the *average* cost differences.
- (b) Do you advocate a higher passthrough of the shape differential for letters and nonletters?

USPS/PSA-T1-40. Please see your testimony at page 27. Suppose that it was concluded that shape was the sole reason for the cost difference between flats and parcels, and that weight played no role. However, the difference in weight between the two shapes resulted in a revenue difference which exactly equaled the cost difference. Under those circumstances, would you oppose a shape-based surcharge?

USPS/PSA-T1-41. Please see your testimony at page 30, final sentence. Is it your testimony that a surcharge is only warranted to assure cost coverage?

USPS/PSA-T1-42. Please see your testimony at page 28, lines 6-8. Please cite all current discounts or surcharges that are based on the "actual difference in the cost revenue relationships" between two groupings of mail.

USPS/PSA-T1-43. Please see your testimony at page 24, lines 4-6. Please show the derivation of the volume figures using the cited Exhibit USPS-43C.

USPS/PSA-T1-44. Please see your testimony at page 24, last full sentence.

- (a) Is it your testimony that parcels in First-Class Mail are better candidates for a shape surcharge than are parcels in Standard Mail (A)?
- (b) Regarding those FCM parcels that you deem more worthy for a surcharge; what would be the resulting percentage of total FCM pieces that would be surcharged?

USPS/PSA-T1-45. Please see your testimony at page 23, last full sentence, where you refer to "a potentially more serious cross-subsidization issue between letters and nonletters." Do you acknowledge that there is a serious cross-subsidization issue between parcels and nonparcels, albeit less serious in your opinion?

USPS/PSA-T1-46. Please see your testimony at page 28 where you state "we object to separating out parcels from flats in Regular Standard (A) when there is no existing sub-class or rate category distinction."

(a) Please confirm that there is "no existing sub-class or rate category" for DDU-entered parcels in parcel post.

(b) Do you support the discount for DDU-entered parcels in parcel post even though there is "no existing sub-class or rate category distinction"?

## 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 black ink, appearing to read "Scott L. Reiter", is written over a horizontal line.

Scott L. Reiter

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