

DOCKET SECTION

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

RECEIVED
JAN 28 4 12 PM '98
OFFICE OF THE SECRETARY

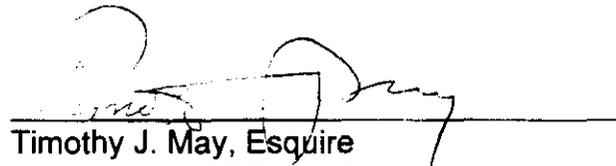
POSTAL RATE AND FEE CHANGES, 1997 : Docket No. R97-1

**RESPONSES OF PARCEL SHIPPERS ASSOCIATION (PSA) WITNESS JELLISON
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

The Parcel Shippers Association (PSA) hereby provides PSA witness Jellison to the following interrogatories of United States Postal Service: USPS/PSA-T1-1-26.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,



Timothy J. May, Esquire
PATTON BOGGS, L.L.P.
2550 M Street, N.W.
Washington, D.C. 20037-1350
Tel. 202/457-6050
Fax. 202/457-6315

Counsel for Parcel Shippers Association

Dated: January 28, 1998

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-1. Please confirm that, of the survey responses described at pages 3 and 4 of your testimony, responses were received from 30 companies who ship Standard B parcel post-type parcels. If not confirmed, please explain.

RESPONSE. Confirmed.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-2. How many of the 30 companies who responded to your survey and ship Standard B parcel post-type parcels also responded to the survey filed as library reference H-163?

RESPONSE. While it seems likely that there would be some commonalty, I have no knowledge of the identities of companies that participated in the USPS survey.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-3. Please confirm that when you refer to the "DBMC Discount" at page 5, you are referring to the BMC presort discount and not to the DBMC rate category.

RESPONSE. Confirmed.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-4. Please confirm that when you refer to the "DSC Discount" at page 5, you are referring to the DSCF dropship discount.

RESPONSE. Confirmed.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-5. Please refer to your testimony at page 5 where you state that "there were two (2) respondents who already use consolidators and therefore they were not counted as respondents to this series of questions." Please explain why the responses of these companies were excluded only from this series of questions.

RESPONSE. Since they already use consolidators, they did not respond to this series of questions.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-6. Please refer to your testimony at page 4 where you state that 17 of the 26 who responded to the question regarding whether they were currently eligible for OBMC indicated that they are eligible. You then continue with a discussion "of the ten (10) who responded that they were not eligible." Were there 27 respondents to the question, or was one response double-counted? Please explain.

RESPONSE. The testimony is in error and the answer to your question is, yes, there were 27 rather than 26 respondents to the question. An errata will be filed.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-7. Please refer to your testimony at page 5 where you discuss 26 respondents who reported that they do not currently qualify for the DSCF discount. You then continue by stating that the responses from two companies currently using consolidators were not counted as respondents to this series of questions. You then indicate that 20 of the 27 respondents would "do what is necessary" to qualify for the DSCF discount. Of the 30 respondents, subtracting 2 for those using consolidators, only 27 can be accounted for. What was the other response?

RESPONSE. Again, the number of respondents is incorrectly reported in the testimony as 20 out of 27. In fact, it should be 20 out of 26 respondents. There were 30 respondents who reported, not including those using consolidators who did not report; 4 of those already qualified, leaving 26 who did not. Of that 26, 20 reported that they would "do what is necessary" to qualify. That 20 included 11 who would do the preparation, 19 who would consolidate; and of those 19, 10 would also do preparation to qualify. Thus, 20 of the 26 not qualifying would "do what is necessary." An errata will be filed.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-8. Please refer to your testimony at page 5 where you state that 74 percent of respondents to the question regarding the DSCF discount indicated that they would "do what is necessary, including using a consolidator, in order to earn the Destination Sectional Center discount."

(a) Are you aware of consolidators offering the ability to consolidate, prepare and dropship to the DSCF, including performing the required sort to five digit ZIP Codes?

(b) Is it your interpretation, from the responses to your survey or from other conversations with your members, that the respondents perceive that consolidation services will be available to enable them to qualify for the DSCF discount?

RESPONSE. Your question references my testimony at page 5 where I state that 74 percent of respondents would "do what is necessary. . . ." With the change I indicated in response to question 7, that will also change the percentage from 74 percent to 77 percent. My specific responses to your two-part question are:

(a) Yes.

(b) Yes.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-9. For the responses described at pages 4 through 7 of your testimony, please provide volume figures to match with each of the types of responses listed (e.g., 65 percent of respondents indicated that they are currently eligible for the OBMC discount, accounting for X million Parcel Post pieces).

RESPONSE. We do not have, nor did we obtain in the responses to the survey, the volume figures as you request them. You cite as an example that you would like to know how many parcel post pieces were accounted for by those respondents who had indicated they are currently eligible for the OBMC discount. Our respondents did not report how many of their parcels were currently eligible, merely responding whether they did have parcels that were currently eligible. We are able to tell you, for example, that of those respondents who indicated that they have parcels that are currently eligible, the total parcels reported by those respondents are 82,062,000 Standard (B) parcels shipped by USPS and 79,502,000 Standard (B) type parcels shipped by UPS. That does not mean, however, that total volume of parcels reported are currently eligible for BMC. Likewise, I can report to you that of those respondents who indicated they would do the preparation required to become eligible, those respondents shipped 44,039,000 parcels by USPS, and 3,110,000 Standard (B) type parcels by UPS. The respondents' answers clearly suggest that their total volume of parcels are not eligible; for example, several respondents who had indicated they have parcels that are currently eligible, also reported that they would do the additional preparation required in order to become eligible. We have no way to estimate what portion of total volume of

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

parcels reported falls into any of the categories discussed on pages 4 through 7 of my testimony.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-10. For the responses described at pages 4 through 7 of your testimony, do you have any indication of the amount of time required for mailers to make arrangements to adopt or accommodate the new discounts, surcharges or service?

RESPONSE. No.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-11. When reporting the responses to the DDU discount question, why did you not exclude the two respondents who were excluded from the DSCF question because of their use of consolidators?

RESPONSE. They were excluded.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-12. Please refer to your testimony at page 6 where you state that 12 of the respondents to the question regarding the DDU discount indicated that they would "be willing to use a consolidator" in order to earn the DDU discount.

(a) Are you aware of consolidators offering the ability to consolidate, prepare and dropship to the DDU? If so, please provide the information available to you from such companies.

(b) Is it your interpretation, from the responses to your survey or from other conversations with your members, that the respondents perceive that consolidation services will be available to enable them to qualify for the DDU discount?

RESPONSE.

(a) I do not have any detailed information but just a general understanding that consolidators will, given adequate volumes, do the necessary consolidation preparation and dropshipping to the DDU.

(b) Yes.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-13. Were the respondents to your survey fully apprised of the discounts and the underlying mail preparation assumptions in the Postal Service's proposal at the time that they responded to your survey?

RESPONSE. With few exceptions the respondents to the survey were very sophisticated mailers and very active members of the Parcel Shippers Association. Given those facts, I am confident that they read and adequately understood the details of the USPS proposals and the conditions to those proposals from the numerous written and oral presentations made by the Association to the membership.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-14. Please refer to your testimony at pages 6 and 7 where you discuss the responses to the question regarding the expansion of the size limit for parcels. Please clarify your interpretation of the "parcel business" that the 13 respondents indicated would switch to the Postal Service. Is it your understanding that these 13 respondents would switch to the Postal Service: all of their parcel business; some additional volume that is not oversized, or only their oversized pieces?

RESPONSE. Only their oversized pieces.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-15. Please refer to your testimony at page 7 where you discuss the responses to question regarding the surcharge for balloon parcels. Please clarify your interpretation of the "business" that the 5 respondents indicated they would switch away from the USPS.

RESPONSE. Only the pieces subject to the surcharge.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-16. Please refer to your testimony at page 7 where you discuss the decline in dominance of UPS as the carrier of choice among your respondents.

(a) Was your survey conducted before, after, or during the UPS strike?

(b) Is it possible that firms who ship primarily with the Postal Service, and thus have a greater stake in the outcome of these proceedings, were more motivated to respond to your survey? Please explain fully.

(c) What approximate volume or share of volume associated with the respondents to your survey originates in residential areas?

RESPONSE.

(a) The survey was conducted after the UPS strike.

(b) It is possible but not likely; as many UPS users as USPS users responded to the survey.

(c) That information is not available from the responses to the survey.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-17. Please refer to your testimony at page 8 where you state that "not all those parcels are barcoded with a code that can be read by an OCR."

(a) Did you mean to refer to the barcode reader on a parcel sorting machine instead of "an OCR," and optical character reader?

(b) Please state the basis for the statement reference above, as corrected by your response to part (a), as appropriate.

(c) Please indicate your awareness that the survey question asked "Do you currently apply the official USPS barcode to any of your outgoing mail?"

(d) Is it your testimony that the "official USPS barcodes" being applied by respondents who indicated in the Postal Service's survey that they were currently barcoding cannot be read by the Postal Service's parcel barcode readers?

(e) Please confirm that you did not survey your membership with regard to their barcoding behavior, either current or intended.

RESPONSE.

(a) Yes, I did mean the barcode reader on a parcel sorting machine, which I believe is an OCR.

(b) What my testimony meant was simply that there has been no requirement for a barcode; therefore, any attempts at enforcement of any specifications of the proper barcode were nonexistent.

(c) Yes, I am aware.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

(d) It is my testimony that, since there was no requirement for package users to use barcodes, there exists no effective way to be sure the barcode meets all the specifications required.

(e) Confirmed as to any questionnaire conducted for the current rate proceedings.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-18. Please refer to your testimony at page 10 where you state that "the required containerization results in a loss of cube utilization in mailer trucks as opposed to sacking."

(a) Has Parcel Shippers Association performed any survey to ascertain member practices regarding the prevalence of sacking relative to bedloading parcels or containerization either in gaylords or on pallets? If so, please describe the results of such study. If not, please provide the basis for your statement.

(b) Are you aware of any study demonstrating the tradeoff faced by shippers when determining the optimal containerization methods? If so, please describe the results of such study.

(c) Are you aware of any study demonstrating the cube utilization patterns exhibited by your members in their use of transportation? If so, please provide the results of such study.

RESPONSE.

(a) No, we have conducted no such surveys. The basis for this statement is the constant conversations we carry on with our members who continually express their concerns that loss of cube in hired transportation occurs when they cannot have complete flexibility to load out maximum loads by bedloading, or any other means available to them.

(b) PSA has conducted no such studies but I am aware that USPS has, although I cannot quote the findings. Also, individual members conduct such analyses

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

as part of their daily transportation management functions. They do not share the details of these analyses with PSA.

(c) No.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-19. Please refer to your testimony at page 12 where you state, with regard to the use of barcodes on parcels, "the obvious opportunities are equally applicable to both" Standard B and Standard A parcels

(a) Is it your understanding that barcodes are of value to the Postal Service for parcels sorted to the 5-digit level?

(b) Is it your understanding that barcodes are of value to the Postal Service for parcels entered downstream from the destination bulk mail center?

RESPONSE.

(a) No.

(b) If there is no barcode reading capability beyond the BMC level, it is my understanding that the Service cannot do a 5-digit sort by barcode reading machines for mail entered downstream from the BMC.

**.RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-20. Please refer to your testimony at page 15 where you state that "this increase in size limit will increase volumes mailers will have available to fill out otherwise marginal vans for direct shipments and drops to points deeper in the USPS operational chain."

(a) Is it your testimony that the ability to add the oversized parcels will increase the share of parcels dropshipped deeper into the postal system? Please explain fully.

(b) Is it your testimony that, in the absence of the ability to include the oversized parcels, the mailers would not send an otherwise "marginal" van? Please explain fully.

(c) Is it your testimony that these mailers would not have additional volume that is not oversized to include in the shipment to fill the transportation cube? Please explain fully.

RESPONSE.

(a) Yes; our members inform me that, in their determination as to whether they have sufficient volume to warrant a van to the destination post office facility on an economic basis, they often have vans that are close to marginally justified or unjustified. In such instances, the availability of a new volume of parcels to consider would allow more vans to become economically justified.

(b) A marginal van implies some other judgment besides economics is given heavier weight in the decision process. Depending upon what side of the margin the subject vans happen to fall, this additional volume could mean the difference between sending that direct van or not.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

(c) Yes; that is the assumption in the examples I have referenced in my testimony.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-21. Please refer to your testimony at page 16 where you discuss proposed rate increases of 20 to 30 percent, the target cost coverage and the attribution of Alaska air costs. Is it your testimony that the target cost coverage and the desire to cover Alaska air costs are the only reasons that any Parcel Post rate cells are receiving rate increases of 20 to 30 percent? If not, please explain.

RESPONSE. It is perfectly clear that, in the absence of the attribution of the Alaska air costs to Parcel Post, no rate cells would be required to sustain 20 to 30 percent increases. We are well aware that because of transportation costs and other factors, there will not be uniform rate increases in all rate cells in all rate categories. Moreover, given the fact that, absent the attribution of the Alaska air cost to Parcel Post, Parcel Post already with no rate increases at all would meet Dr. O'Hara's 104 percent cost coverage, that further reaffirms our conviction that there would not be 20 to 30 percent rate increases in the absence of the Alaska attribution.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-22.

(a) Please confirm that at pages 16 and 17 of your testimony, you appear to be agreeing with Dr. O'Hara that the proper cost coverage target for Parcel Post is 104 percent. If not confirmed, please explain.

(b) Is it your testimony that the other cost coverage targets set by Dr. O'Hara are similarly appropriate? If not, please explain.

(c) Please confirm that the cost coverage for other classes and subclasses of mail would need to be adjusted in the event that Alaska air cost were removed from the cost base for Parcel Post. If not confirmed, please explain.

RESPONSE.

(a) Confirmed.

(b) I have not made any judgments about the coverage for other subclasses.

(c) Not confirmed. It is finally evident that the Postal Service has overstated its revenue requirement by at least the amount represented by both Alaska air costs and the proposed Standard (A) surcharge. There is thus no need to raise anyone else's rates in order to make up for the revenue represented by the recovery of Alaska air costs from Parcel Post and by the revenues represented by the surcharge proposed for Standard (A) parcels.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-23. Please refer to your testimony at pages 19-20 where you calculate a cost coverage of 109 percent, based on the adjustment of Alaska air costs and on the application to parcel post of the average overall rate increase of 4 percent. Is it your testimony that in these circumstances, a cost coverage of 109 percent is appropriate? Or is it your testimony that the average rate increase for parcel post should be less than the overall average rate increase. Please explain.

RESPONSE. It is Dr. O'Hara's testimony that 109 percent coverage is excessive. It is my testimony that an average increase in excess of 4 percent for parcel post is excessive.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-24. Please refer to your testimony at page 20 where you refer to the "so-called 'victims' of this inequity."

(a) Please identify the "so-called 'victims'" to which you refer.

(b) Is it your testimony that the parties to which you refer in your response to part a are indifferent to decreases in rates, or reductions in the sizes of increases in rates to which they might experience as a result of correction of "this inequity"? Please explain fully.

RESPONSE.

(a) The non-parcel mail in Standard "A."

(b) I can only tell you that our members are predominantly Standard "A" letter and catalog mailers, and they fully understand the implications of their absolute opposition to the Standard "A" surcharge.

**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-25. Please refer to your testimony at page 21 where you state that you "could not find a single member that mails Standard A parcels at the enhanced carrier route rate!" Please confirm that your members do not constitute the entirety of mailers shipping items, including merchandise samples, that might be categorized as something other than "letters" or "flats" by the Postal Service.

RESPONSE. Confirmed; but they do represent a broad cross-section of almost every other kind of product supplier.

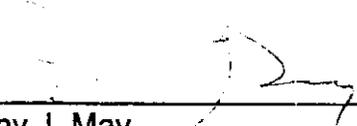
**RESPONSES OF THE PARCEL SHIPPERS ASSOCIATION
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/PSA-T1-26. Please refer to your testimony at page 21 where you refer to the ECR cost differential of 20 cents as measured in the Parcel Classification Case and 40 cents as measured in this case. Please confirm that the proposed surcharge of 10 cents is substantially less than either 20 or 40 cents.

RESPONSE. Yes; it is of the same order of magnitude of difference as the change that USPS has reported in ECR costs between their filed testimony in February of 1997 and their filed testimony in July of 1997.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



Timothy J. May

Dated: January 28, 1998