

DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997 :

Docket No. R97-1

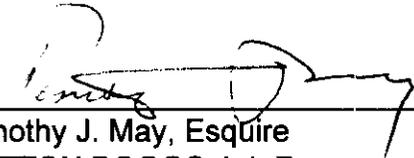
**RESPONSES OF PARCEL SHIPPERS ASSOCIATION (PSA) WITNESS JELLISON
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

The Parcel Shippers Association (PSA) hereby provides PSA witness Jellison's responses to the following interrogatories of United States Postal Service:

UPS/PSA-T1-1-10.

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

Respectfully submitted,



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Dated: February 6, 1998

**RESPONSES OF PARCEL SHIPPERS ASSOCIATION WITNESS JELLISON
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UPS/PSA-T1-1. Please refer to page 19 of your testimony. In the first full paragraph on that page, you note that your analysis of the impact of your pricing proposal makes "several unrealistic assumptions," such as the unresponsiveness of volume to price changes.

(a) Assume the Commission adopted your recommended approach and kept Parcel Post rates constant. Do you agree that the lower price, relative to the prices proposed by the Postal Service, would result in higher Parcel Post volume than currently estimated by the Postal Service.

(b) If your answer to part (a) is "yes," do you agree that the higher volume would result in costs higher than those shown on line 4 of Table 1? If not, please explain.

RESPONSE.

(a) Yes.

(b) Yes.

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UPS/PSA-T1-2. Please refer to line 11 of the first paragraph on page 2 of your direct testimony. Please define "market dominance" as you use the term there.

RESPONSE. My use of the term "market dominance" simply reflects the fact that there are a lack of competitive forces within the residential delivery market that would have an influence on UPS' moderation of its price increases and its service offerings. Examples I used were the change in policies on rural delivery; the arbitrary dictation of delivery prices for delivery to a commercial enterprise located primarily in a residential area; and the frequency and percentage increases of rates to residential deliveries. Our members strongly believe that UPS can and does make changes without consideration of their impact on their customers in part because of the lack of competition and lack of regulation of UPS.

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UPS/PSA-T1-3. Please refer to the last sentence of the first paragraph on page 2 of your direct testimony.

(a) Please define "market dominance" as you use the term there.

(b) What factors, in your opinion, result in the "long term" being different from the "short term"?

(c) Is it your opinion that only the "short term" is competitively significant? If your answer is "yes," please explain why. If the answer is "no," please explain why not.

RESPONSE.

(a) I define "market dominance" here just as it was defined in response to UPS/PSA-T1-2.

(b) The principal factor that differentiates the long-term and short-term results is the dearth of companies that possess an in-place delivery structure that could provide universal domestic delivery to residential customers. The long-term defines the time in which one could reasonably expect another entity to be able to match the residential delivery structure of UPS and USPS.

(c) Yes, because I am convinced it would take a considerable length of time for another entity, first, to make a commitment to residential delivery and, second, actually to be able to replicate the delivery structure of UPS and USPS that is now in place.

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UPS/PSA-1-4. Please refer to page 3 of your testimony. Please confirm that the following calculations are correct:

Parcel Shippers Association Survey
Volume Figures
(in thousands of parcels and percent)

	<u>Postal Service</u>	<u>UPS</u>	<u>Total</u>	<u>Percent Total</u>
Standard A	348,160	8,405	357,105	97.6
Standard B	<u>124,522</u>	<u>127,596</u>	<u>252,118</u>	49.4
Total	473,132	136,001	609,133	77.7

RESPONSE. Confirmed.

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UPS/PSA-T1-5. Please refer to page 3 of your testimony, at the third bullet point.

What carrier delivered the 58 million pieces of bound printed matter shipped by your members? If more than one carrier handled the bound printed matter, how much did each carrier handle?

RESPONSE. All but a negligible amount was delivered by USPS. Some slight percentage was delivered by United Parcel Service.

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UPS/PSA-T1-6. On page 1 of your testimony, in the last paragraph you state that PSA's members use, in addition to the Standard (A) and Standard (B) mail offerings of the Postal Service, the Priority Mail and Express Mail services of the Postal Service.

(a) Why did the survey discussed in your testimony not inquire about Priority Mail and Express mail services?

(b) How many packages do PSA members ship by Priority Mail or Express Mail?

RESPONSE:

(a) The survey did not inquire about express services because the focus of the concern of our Association is Standard (B) parcels and Standard (A) parcels.

(b) Our survey does not disclose this information.

(c) Our survey data does not allow a response to this question. We do know, however, that some of our members use UPS, FedEx, RPA, DHL, Airborne, and other express carriers.

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UPS/PSA-T1-7. Please refer to page 4 of your testimony, at the first bullet point.

(a) Please confirm that, of the members who responded to your survey, about 68.6 percent use both the Postal Service and UPS to ship their packages.

(b) On a volume weighted basis, what percent of PSA member shipments are made by companies that use both the Postal Service and UPS?

RESPONSE.

(a) Confirmed.

(b) 89.6%.

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UPS/PSA-T1-8. Please refer to page 4 of your testimony, at the third bullet point.

(a) Which carriers are used by the 16 members who reported shipping parcels by a carrier other than the Postal Service and UPS?

(b) To what do you attribute the increase in utilization of carriers other than UPS and the Postal Service.

(c) For these 16 members, how much volume is shipped through carriers other than UPS and the Postal Service?

RESPONSE.

(a) We do not know the names of the companies.

(b) Frankly, I can only guess at the reasons for increased utilization of other carriers; while it has increased, it nevertheless except, for 2 respondents, is an insignificant number of parcels compared to the total shipped by respondents. PSA witness Mullin, of Avon, has identified the fact that Avon uses a large number of carriers other than the USPS and UPS. I am sure if he were to be asked he would explain the price and service considerations that have dictated his choice of other carriers.

(c) My testimony on page 4 incorrectly reports the volume of the 16 respondents shipped by carriers other than USPS and UPS. The correct volume is 25,343,000, which represents 9.1% of the total volume of over one pound parcels. An errata will be filed to make these corrections.

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UPS/PSA-T1-9. Please refer to page 7 of your testimony, at the second full paragraph. You state that the Postal Service has a 40 percent market share. Please confirm that this is 40 percent of Standard (B) volume.

RESPONSE. My testimony at page 7 to which you refer incorrectly reports a 49% share. That percentage fails to take account of the parcels shipped by carriers other than UPS and USPS. Including those parcels, then it would be accurate to state that USPS had a 44.8% share of the Standard (B) parcel market represented by our members who responded to the survey. An errata will be filed correcting this testimony.

**RESPONSES OF PARCEL SHIPPERS ASSOCIATION WITNESS JELLISON
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UPS/PSA-T1-10. Please refer to the last full sentence on page 7 of your testimony.

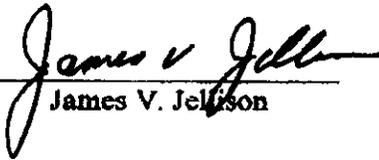
Please explain why the fact that 35 of your members shipped 124,522,000 parcels by the Postal Service is "significant."

RESPONSE. It is significant that 35 of our members shipped 124,522,000 parcels because, as I explained in my testimony on page 8, that number constitutes almost 54% of the total parcel post volume of 230 million Standard (B) parcels for Fiscal Year 1997.

DECLARATION

I, James V. Jellison, declare under penalty of law that the foregoing answers to interrogatories are true and correct to the best of my knowledge, information, and belief.

Executed: 2/6/98


James V. Jellison

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: February 6, 1998