

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Periodic Reporting
(UPS Proposals One, Two, and Three)

Docket No. RM2016-2

CHAIRMAN'S INFORMATION REQUEST NO. 5

(Issued December 18, 2015)

To assist in the evaluation of its Petition requesting a change in analytical principles,¹ United Parcel Service, Inc. (UPS) is requested to provide written responses to the following questions. Answers should be provided no later than January 8, 2016.²

1. Please refer to the chart entitled "Y/Y Change in Market Share for Priority Mail/Ground Volume" on page 14 of the UPS Response to Chairman's Information Request (CHIR) No. 1.³
 - a. Please provide the UPS, FedEx, and USPS market shares that were used as inputs to this chart. Please provide market share data for every quarter from 3Q2013 to 4Q2015.
 - b. Please provide the exact data sources and worksheets that UPS used to develop the numbers in the chart.

¹ Petition of United Parcel Service, Inc. for the Initiation of Proceedings to Make Changes to Postal Service Costing Methodologies, October 8, 2015 (Petition). To support each of its proposals, UPS also submitted the Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three (Report of Dr. Kevin Neels) with the Petition.

² Pursuant to 39 C.F.R. § 3007 *et seq.*, UPS may file under seal any responses or data related to responses it deems proprietary in nature. Section 3007.1(b) defines those materials that may be considered non-public and section 3007.22 describes the content required in an application for non-public treatment filed by UPS. See *respectively* 39 C.F.R. §§ 3007.1(b) and 3007.22.

³ United Parcel Service, Inc.'s Response to Chairman's Information Request No. 1, December 15, 2015 (UPS Response to CHIR No. 1).

- c. Please confirm that Priority Mail is a product that uses both ground and air transportation, while the UPS Ground and FedEx Ground use ground transportation only. If confirmed, please explain why these products are compared with each other, and discuss whether there are more directly comparable products offered by UPS and FedEx that correspond with Priority Mail. If not confirmed, please describe the modes of transportation used by each of the three aforementioned products.
 - d. Please confirm that the market shares shown in the chart are shares of volume. If not confirmed, please explain how UPS defined the market shares in the presented chart.
 - e. Please confirm that the Postal Service's market share of revenue is smaller than its market share of volume. If not confirmed, please explain.
2. Please confirm that both UPS and FedEx increased their use of dimensional weight pricing on or about the beginning of Calendar Year 2015.
- a. If confirmed:
 - i. Please explain in detail the extent to which dimensional weight pricing was expanded.
 - ii. Please also indicate the date (or range of dates) when this expansion occurred.
 - iii. Please explain the effect of the increase in the use of dimensional weight pricing by UPS and FedEx on their market shares in the Residential Priority Mail/Ground (or separate comparable market identified in response to question 1.c) market and Commercial Priority Mail/Ground market (or separate comparable market identified in response to question 1.c).
 - b. If not confirmed, please explain.

3. Please refer to the chart entitled “Commercial (IBI/PI) Priority Mail Volume Growth vs UPS/FedEx Ground (Y/Y)” on page 15 of the UPS Response to CHIR No. 1.
 - a. Please provide the exact data sources and worksheets UPS used to develop the numbers presented in the chart.
 - b. Does the increase in Commercial (IBI/PI) Priority Mail Volume (shown in the chart) reflect migration from Residential (non-IBI/PI) Priority Mail Volume or any other Postal Service product? If so, please identify and explain the analytical methods that UPS performed to develop the numbers used as inputs to the chart.
4. Please refer to Table 1 on page 22 of the UPS Response to CHIR No. 1. Please explain why Proposal One is estimated to have no effect on the cost of several products. Please provide a separate explanation for each unaffected product.
5. Please refer to Table 2 on page 41 of the UPS Response to CHIR No. 1. Please explain why Proposal Two is estimated to have no effect on the cost of several products. Please provide a separate explanation for each unaffected product.

By the Acting Chairman.

Robert G. Taub