

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE AND FEE CHANGES, 2000

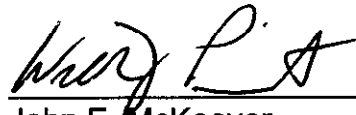
DOCKET NO. R2000-1

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

INTERROGATORIES FROM
UNITED PARCEL SERVICE TO UNITED STATES
POSTAL SERVICE WITNESS MUSGRAVE
(UPS/USPS-T8-5 through 9)
(March 7, 2000)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatories directed to United States Postal Service witness Musgrave: UPS/USPS-T8-5 through 9.

Respectfully submitted,



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INTERROGATORIES OF UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS MUSGRAVE

UPS/USPS-T8-5. Refer to Technical Appendix A, TA A-1, of your testimony.

Provide the details of all specification tests that were performed to justify the (log-log) functional form that you employ in your estimating equations.

UPS/USPS-T8-6. Refer to your testimony, page 7, where you state, “[a] change in deflated price is estimated to lead to a volume response in the quarter in which the price change occurs and the three following quarters.” Provide the details of all sensitivity tests that were performed to justify your assumption that all volume responses to changes in deflated prices occur within one year.

UPS/USPS-T8-7. (a) Explain what event the “binary shift variable” described on pages 23-24 of your testimony is designed to capture.

(b) If the event in question is the Priority Mail rate increase of 1991, explain why the effect of this rate increase (but not others) is presumed to last more than four quarters.

UPS/USPS-T8-8. Explain all tests that were conducted to ensure that multicollinearity is not a concern when you employ UPS Ground Service prices in “the current period and the four lagged quarters” simultaneously in your estimating equations at page 20 of your testimony.

UPS/USPS-T8-9. Explain how your coefficient estimates would change if volume were assumed to vary with nominal price levels rather than (or in addition to) real price levels.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Commission's Rules of Practice.



William J. Pinamont
Attorney for United Parcel Service

Dated: March 7, 2000
Philadelphia, Pa.