

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, 2000

Docket No. R2000-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
UNITED PARCEL SERVICE WITNESS NEELS
(USPS/UPS-T1-1-3)

Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to United Parcel Service witness Neels: USPS/UPS-T1-1-3.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

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May 26, 2000

USPS/UPS-T1-1. Please refer to the curriculum vitae provided as Appendix A to your testimony, UPS-T-1. For each listed item following the "Testimony" heading, other than the Docket No. R97-1 item, please indicate whether your testimony pertained, in whole or in part, to an econometric analysis of panel data. If so, please provide a copy of the written testimony.

USPS/UPS-T1-2. Please refer to your testimony, UPS-T-1, at page 32, lines 9-11. You state, "It would be even simpler for the Postal Service to dispense with the whole cost driver/distribution key approach and retain the traditional finding that mail processing labor costs are 100 percent volume-variable." See also witness Sellick's testimony, UPS-T-2, at page 2, lines 15-18, where Mr. Sellick states that he provides "a recalculation of base year Cost Segment 3 costs... using 100 percent mail processing labor cost variability as proposed by UPS witness Neels (UPS-T-1)."

- a. Confirm that Mr. Sellick's calculations for cost segment 3.1 (mail processing labor) are consistent with your testimony, UPS-T-1. If you do not confirm, please explain fully.
- b. Do you contend that the subclass "costs" for cost segment 3.1 computed by Mr. Sellick for UPS-T-2, divided by the corresponding RPW volume, have the economic interpretation of marginal cost? Please provide the economic interpretation you believe to be correct if your answer is negative in whole or in part.

- c. Please provide the precise economic interpretation(s) of the "100 percent mail processing labor cost variabilities" employed by Mr. Sellick for cost segment 3.1. That is, if you contend the 100 percent variabilities represent the elasticity of "X" with respect to "Y," provide a precise definition of "X" and "Y."
- d. Please provide the precise economic interpretation(s) of the IOCS-based distribution key shares used by Mr. Sellick to compute mail processing "costs" by cost pool and subclass. Reconcile your answer, as necessary, with your responses to parts (b) and (c) of this interrogatory.

USPS/UPS-T1-3. Please refer to your testimony, UPS-T-1, at pages 30-36.

Please also refer to USPS-T-15 at pages 52-53, especially lines 17-18 of page 52 and lines 7-8 of page 53.

- a. Please confirm that you conducted an analysis of the relationship between TPF (or TPH, as appropriate) and FHP as a test of the "proportionality assumption" discussed by Dr. Bozzo. If you do not confirm, please explain the purpose of the analysis you present at pages 34-36 of your testimony.
- b. Does Dr. Bozzo describe the "proportionality" assumption as pertaining to the relationship between piece handlings and subclass RPW volumes, or to the relationship between piece handlings and FHP volumes? Please explain the basis for your answer.
- c. Please provide a detailed statement of your understanding of the distinction between RPW volume and FHP volume.

- d. Have you conducted any analysis of the relationship between FHP volumes and RPW volumes? If so, please provide a detailed description of the methods and results of your analysis.

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 cursive script, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

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