

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-T1-18-31)

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-T1-18-31.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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June 8, 2000

USPS/UPS-T1-18. Please refer to your biography at lines 5-6, where you state, "The aviation sector has been a particular focus of my work..." Please indicate whether you have performed any cost, demand, or other economic analysis of the aviation sector in which you have used revenue passenger miles (or kilometers), available seat miles, revenue ton-miles, or other similar measures, to characterize the output of airline(s). If so, for each such study, indicate the output measure you used, and provide a brief description of the analysis you performed (the approximate level of detail of the bullet points in the first several pages of Appendix A to your testimony will suffice).

USPS/UPS-T1-19. Please refer to pages 4-5 of your testimony, UPS-T-1, where you indicate (at page 4 line 21 et seq.) that "[t]o some extent, adjustments can be made to accommodate growth in volume, although over a very short time frame the available options may be limited." In the accompanying footnote 4 (on page 5), you indicate that the adjustments you have in mind include "a supervisor ask[ing] workers to defer time off, authoriz[ing] extra overtime, monitor[ing] workers more closely to minimize unproductive downtime, or alter[ing] work practices...to increase productivity." In your opinion, do these "adjustments" typically occur within a time frame of one calendar year or less?

USPS/UPS-T1-20. Please refer to your testimony at page 22, lines 1-2. You state, "It seems highly unlikely that the operations of these parallel processing

activities [manual and mechanized/automated operations for shape-based mail streams] would not be affected by the way in which mail is allocated between them.” Does your statement imply that a variable (or variables) capturing the allocation of mail or mail handlings should be included in appropriately specified mail processing cost or labor demand models, at least unless a specification test demonstrates it (or them) to be irrelevant? Please reconcile any negative response with the quoted statement.

USPS/UPS-T1-21. Please refer to your testimony, UPS-T-1, at page 21, lines 3-14. Does your use of the term “largely” in line 3 of the cited testimony indicate that Dr. Bozzo accounts for potential interrelationships of operations, at least in some way? Explain fully any negative answer.

USPS/UPS-T1-22. Please refer to your testimony, UPS-T-1, at page 21, lines 15-18. You illustrate the interactions between MODS activities with a description of opening unit operations. Please refer also to Dr. Bozzo’s response to MPA/USPS-T15-1, Tr. 15/6251-6255, and to the accompanying library reference USPS-LR-I-178.

- a. Please confirm that opening unit operations are not among the ten MODS operation groups for which econometric results are presented in USPS-T-15. If you do not confirm, please explain.

- b. Please confirm that the MODS sorting operation groups are the “downstream operations” to which your example refers. If you do not confirm, please explain.
- c. Is it your understanding that the opening unit models presented by Dr. Bozzo in response to MPA/USPS-T15-1 treat MODS volumes in downstream operations and ODIS destinating mail volumes, among other things, as factors “driving” opening unit workhours? If not, please explain.

USPS/UPS-T1-23. Please refer to your testimony, UPS-T-1, at page 23, lines 15-19. Do you contend that it is impossible to incorporate the measured effect of capital on labor hours in the variability estimates, if desired? If you claim that it is impossible to do so, please explain fully and support your answer with appropriate references to the economic and/or econometric literature.

USPS/UPS-T1-24. Please refer to your testimony, UPS-T-1, at page 25, lines 1-2. Please describe the procedures you employed in the “inspection” you claim to have performed.

USPS/UPS-T1-25. Please refer to your testimony, UPS-T-1, at page 28, lines 6-9. Please provide a detailed citation to support the explanation you attribute to Dr. Bozzo.

USPS/UPS-T1-26. Please explain your understanding of the method by which TPH and TPF for SPBS operations are measured. Specifically, is it your understanding that TPH and TPF for SPBS operations are obtained from machine counts?

USPS/UPS-T1-27. Is it your understanding that bundles of flat-shape Periodicals and Standard A are commonly handled in SPBS operations? If not, please describe the basis for your understanding.

USPS/UPS-T1-28. Is it your understanding that bundles of flat-shape Periodicals and Standard A are commonly handled in manual parcel and/or Priority Mail operations? If so, please describe the basis for your understanding.

USPS/UPS-T1-29. Please refer to your testimony, UPS-T-1, at page 29, lines 16-18.

- a. Is the "trend over time in weight per piece" to which you refer, specifically, a trend over time in weight per piece *at the source/type code level*? If not, please explain.
- b. To be "capable of distorting Dr. Bozzo's volume-variability estimates," is it necessary that the effect of the "false trend" not be captured by trend variables included in the regression models? Please explain your answer fully.

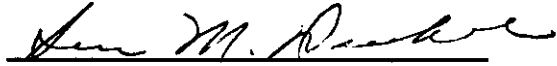
USPS/UPS-T1-30. Please refer to your testimony, UPS-T-1, at page 29, line 22, to page 30, line 1. Please confirm that your statement would still be correct if it read, "...the fixed effects, the random effects, the pooled and the between estimators will all be inconsistent." If you do not confirm, please provide a mathematical proof that the between estimator is consistent when site-specific measurement errors are present.

USPS/UPS-T1-31. Please refer to your testimony, UPS-T-1, at page 32, lines 16-21, and footnote 31.

- a. Please confirm that your reference in footnote 31 to page 55 of USPS-T-15 is, specifically, to the paragraph ending at page 55, line 8. If you do not confirm, please explain.
- b. If you confirm in response to part (a), please further confirm that the paragraph you cite begins at page 54, line 15, of USPS-T-15. If you do not confirm, please explain.
- c. If you confirm in response to part (a), please further confirm that the paragraph you cite begins with the sentences, "The Postal Service's methods recognize that the absolute and relative amount of handlings per piece may vary over time, due to changes in Postal Service operations, mailer behavior, or other factors. The annual updates of the cost pool totals and distribution key shares permit the assumed handling levels and proportions to vary over time." If you do not confirm, please explain.

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.



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