

BEFORE THE
POSTAL RATE COMMISSION

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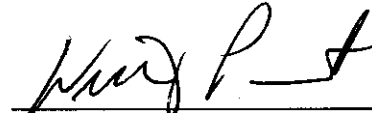
POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

INTERROGATORIES FROM UNITED PARCEL SERVICE
TO MAGAZINE PUBLISHERS ASSOCIATION
WITNESS MICHAEL A. NELSON
(UPS/MPA-T3-1 through 9)
(June 14, 2000)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatories directed to Magazine Publishers Association witness Michael E. Nelson: UPS/MPA-T3-1 through 9.

Respectfully submitted,



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UPS/MPA-T3-1. Refer to your testimony on page 5, lines 11-13, where you describe the procurement of purchased highway transportation services by the Postal Service and state that "These vehicles are typically not the largest capacity vehicles (vans or trailers) that are available." Please indicate which of the following definitions applies to the term "available" in this sentence. If none of these definitions applies, please supply an appropriate definition.

(a) "Available" in the sense that the larger vehicles were owned or operated by providers of purchased highway transportation services to the Postal Service.

(b) "Available" in the sense that firms that bid unsuccessfully to provide purchased highway transportation services to the Postal Service offered such vehicles in their bids.

(c) "Available" in the sense that other firms comparable to those providing purchased highway transportation services to the Postal Service owned or operated such vehicles and had extra vehicles that were not being used to meet existing contract commitments.

(d) "Available" in the sense that some number of such vehicles were operated by some firms somewhere in the U.S.

UPS/MPA-T3-2. Refer to your testimony on page 4, lines 12-15, which states, "while transportation services are generally procured through market processes, this testimony identifies ways in which they appear to be unnecessarily costly in satisfying overall transportation requirements." Consider now two hypothetical changes in Postal

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Service behavior. In the first hypothetical, consider a situation in which the Postal Service minimizes the cost of purchased transportation, subject only to the constraints that all mail is delivered and service standards are met. In the second hypothetical, consider a situation in which the Postal Service minimizes its total cost of operations, subject only to the constraints that all mail is delivered and service standards are met.

- (a) Would purchased transportation costs be the same in these two situations?
- (b) Would purchased transportation costs in the second hypothetical situation be lower than, equal to, or higher than purchased transportation costs in the first hypothetical situation?
- (c) Would it be efficient for the Postal Service to seek to minimize purchased transportation costs without regard to the effects that the resulting changes would have on other types of costs?

UPS/MPA-T3-3. Refer to your testimony on page 8, lines 14-15, where you refer to "difficulties" encountered with Postal Service witness Bradley's evaluation method. Please provide a complete description of these difficulties, and of the way in which your approach solves each of these difficulties.

UPS/MPA-T3-4. Refer to your testimony on page 8, line 18, where you state that "the balance of my work was conducted using log-log models." Such models represent a special case of the more general translog models used by Dr. Bradley.

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(a) Did you perform any test to determine whether the restricted model form you used could be rejected statistically? If so, please provide the results of these tests.

(b) Did you investigate any functional forms other than the log-log model whose results you report? If so, please provide the results of these investigations.

UPS/MPA-T3-5. Refer to your testimony on page 10, lines 13-15. What percentage of empty equipment movements via rail represented "equipment moving to/from MTESCs that was or will be used for other types of surface transportation"?

UPS/MPA-T3-6. Is it your opinion that postal rates should be set on the basis of the Postal Service's actual costs, or on the basis of what the Postal Service's costs would be if it operated at the maximum possible efficiency? Please provide a complete explanation for your answer.

UPS/MPA-T3-7. Refer to your testimony on page 13, lines 13-18, where you describe reductions in highway costs that the Postal Service can achieve by demanding more competitive terms from its contractors.

(a) Is it your expert opinion that these cost reductions (i) can, and (ii) will, in fact be achieved in the test year?

(b) What specific steps, if any, are you aware of that the Postal Service has taken to achieve these cost reductions?

UPS/MPA-T3-8. Refer to your testimony on page 14, lines 6-14, where you describe reductions in highway costs that the Postal Service can achieve by identifying and renegotiating unneeded contracts.

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(a) Is it your expert opinion that these cost reductions (i) can, and (ii) will, in fact be achieved in the test year?

(b) What specific steps, if any, are you aware of that the Postal Service has taken to achieve these cost reductions?

UPS/MPA-T3-9. Refer to your testimony on page 16, lines 1-24, where you describe reductions in cost that the Postal Service can achieve either by renegotiating its agreements with Amtrak, or by moving traffic from Amtrak to truck.

(a) Is it your expert opinion that these cost reductions (i) can, and (ii) will, in fact be achieved in the test year?

(b) What specific steps, if any, are you aware of that the Postal Service has taken to achieve these cost reductions?

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: June 14, 2000
Philadelphia, Pa.
64058