

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-T1-48-50)

Pursuant to rules 25 through 27 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-T1-48-50.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

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June 23, 2000

USPS/UPS-T1-48. Please refer to your response to USPS/UPS-T1-14(a). You state, "Several changes in the definition [of cost segment 3.1] have occurred. Because they do not appear to be of a significant nature, I have not accounted explicitly for these changes."

- a. Please confirm that you did not conduct any alternative analysis to determine whether the changes in the definition of cost segment 3.1 are "of a significant nature" with respect to your aggregate time series analysis. If you do not confirm, please explain why you did not describe the analysis in your response to USPS/UPS-T1-11(b).
- b. Please confirm that in the FY 1997 and FY 1998 CRAs (computed using the Postal Service's method), the Postal Service included the so-called "migrated" costs in the cost segment 3.1 total. If you do not confirm, please explain.
- c. Please confirm that in the FY 1997 and FY 1998 CRAs (computed using the Commission's method), the cost segment 3.1 total is based on essentially the same IOCS-based method as in the previous years. If you do not confirm, please explain.
- d. Please confirm that the cost segment 3.1 total in the FY 1997 CRA, using the Commission's method, is \$13,147,837,000. If you do not confirm, please provide the figure you believe to be correct, and a detailed citation to its source.
- e. Please confirm that the cost segment 3.1 total in the FY 1998 CRA, using the Commission's method, is \$13,378,733,000. If you do not confirm, please

provide the figure you believe to be correct, and a detailed citation to its source.

USPS/UPS-T1-49. Please refer to your response to USPS/UPS-T1-15(b). You cite material at page 40 of USPS-T-15 to support your claim that Dr. Bozzo argues that "the capital intensity of mail processing is unaffected by growth in mail volume."

- a. Please confirm that the material you quote from page 40 is, specifically, from lines 12-13. If you do not confirm, please explain.
- b. Please confirm that the entire sentence, including the material you cite, reads, "Homotheticity implies that changing the level of output of the operation will not alter relative factor demands such as the capital/labor ratio, in equilibrium (and other things equal)." If you do not confirm, please explain.
- c. Please confirm that the sentence preceding the material you quote from page 40 reads, "In fact, the capital and labor variabilities will be identical, in equilibrium, under the assumption that the cost pool-level production (or cost) functions are *homothetic*" [emphasis in original]."
- d. Please confirm that the material you cite from page 40 discusses the assumptions required to equate capital and labor variabilities at the cost pool level. If you do not confirm, please explain.

USPS/UPS-T1-50. Please refer to your response to USPS/UPS-T1-17(c). You indicate that you used data from reg9398.xls to obtain the FY98 MODS hours

you use to construct the labor weights for your aggregate volume index, and as a result the reliability of your time series analysis depends in part on the assumption that the labor weights “based on these direct MODS pools reflect the distribution of volume by class in indirect MODS pools and in other parts of the mail processing system...”

- a. *When you reviewed the available data sources for your analysis, were you aware that that FY98 MODS workhours by cost pool, for every MODS cost pool, as well as total BMC and non-MODS workhours from the Pay Data System, are provided at pages I-7 to I-28 of USPS-LR-I-106?*
- b. *If your response to part (a) indicates that you were aware of the data in USPS-LR-I-106, please explain why you chose not to use those data.*

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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