

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

ANSWERS OF UNITED PARCEL SERVICE
WITNESS KEVIN NEELS TO UNITED STATES
POSTAL SERVICE INTERROGATORIES
(USPS/UPS-T3-14 through 17)
(July 3, 2000)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby
files and serves the answers of UPS witness Kevin Neels to the following interrogatories
of the United States Postal Service: USPS/UPS-T3-14 through 17.

Respectfully submitted,



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Of Counsel.

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USPS/UPS-T3-14. Please refer to page 21, lines 6-9 of your testimony where you state:

“To determine the fraction of all segments to include in the calculation, I determine the average number of segments per trip. The inverse of this average determines the proportion of segments to include in determining the mail mix responsible for the total amount of capacity purchased.”

a) Did you consider any other criteria for determining the mail mix responsible for the total amount of capacity purchased?

b) If the answer to part a) is yes,

i) Please describe the other criteria you considered.

ii) Please explain why you rejected these other analyses.

iii) Please provide all workpapers, programs, and documentation supported the analyses that you rejected in favor of the analysis you ultimately relied on in your testimony.

Response to USPS/UPS-T3-14.

(a) It was always my opinion that the capacity provided was determined in some sense by the maximum load to be carried on a route. I did consider explicitly or implicitly different methods of identifying that maximum load, along with the data available to implement those methods.

(b)(i) I considered methods for identifying the peak load point that focused on links in some top percentile of the capacity utilization distribution.

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(ii) Although I believed that an approach based on trucks in some top percentile would give valid results, I rejected this approach because it required the judgmental selection of a specific cutoff point.

(iii) I have no workpapers, programs or documentation reflecting any other approach.

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USPS/UPS-T3-15. Please refer to Table 4 on page 23 of your testimony.

- a) Please confirm that the cost figures listed within this table include *all* highway costs, and thus include highway plantload, terminal/van damage, Alaskan highway, area bus and empty equipment – in addition to those costs that accrue to the four major highway contract types (intra-BMC, etc.).
- b) Please confirm that the cost figures listed under the “USPS” cost column correspond to costs that are reflected in the Cost Segment 14 B Workpapers and, as such, do *not* reflect the updated distribution keys provided by Witness Xie in her testimony (Tables 1-4, pp. 16-19).

Response to USPS/UPS-T3-15.

- (a) Confirmed.
- (b) Confirmed.

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USPS/UPS-T3-16. Please refer to your SAS program ZEXP98.Step3.

- a. Please confirm that the calculated average amount of empty space for a contract type (found in the SAS data set EMPTYAVG) includes tests for which no mail was unloaded (i.e., UNLOADED=0).
- b. Please confirm that in determining a representative mix of mail you did not use zero volume tests.

Response to USPS/UPS-T3-16.

- (a) Confirmed.
- (b) Confirmed.

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USPS/UPS-T3-17. On page 21 of your testimony, you “assume that each trip has *one segment* (emphasis added) that determines the total capacity provided on that trip, and that this segment is the segment with the highest capacity utilization.” Is it possible that *more than one* segment on a particular trip jointly determined the total capacity provided on that trip? Please explain.

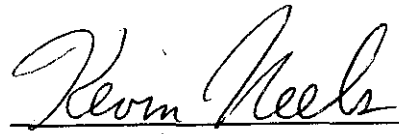
Response to USPS/UPS-T3-17.

In most cases, one segment will determine the total capacity provided. In a few cases, it is possible that multiple segments jointly determine the total capacity. This would occur when multiple segments are operated on average at equal capacity utilization.

It is important to note that this possibility does not create a difficulty for the empty space allocation formula I apply, since any of the multiple segments can be the segment sampled by TRACS. If, for example, there are a number of two-segment trips with equal capacity utilization across both segments, then the sampling process will tend to sample, on average, mail from both. Thus, the TRACS process will have sampled all of the mail on segments that determine total capacity provided.

DECLARATION

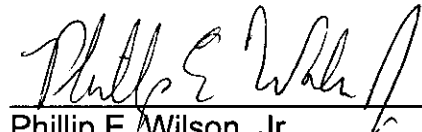
I, Kevin Neels, hereby declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.


Kevin Neels

Dated: 7/3/00

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.



Phillip E. Wilson, Jr.
Attorney for United Parcel Service

Dated: July 3, 2000
Philadelphia, Pa.