

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

DOCKET NO. R97-1

**FIRST SET OF INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS HATFIELD
(UPS/USPS-T16-1 through 16)**

(July 28, 1997)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatories and requests for production of documents directed to United States Postal Service witness Hatfield (UPS/USPS-T16-1 through 16).

Respectfully submitted,



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UPS/USPS-T16-1. Refer to page 12 of USPS-T-16. Were the oversized parcels that are proposed to be charged the balloon rate included in the cube-weight regression analyses? Why, or why not?

UPS/USPS-T16-2. Refer to page 10, lines 14-16 through line 1 on page 11 of your Direct Testimony, where you state, "Increases in intermediate transportation distance for intra-BMC parcels do not necessarily cause parcels to migrate towards a higher zone."

(a) Do you agree that, on average, a higher zone intra-BMC parcel likely will have a higher intermediate transportation cost than a Zone 1/2 intra-BMC parcel? Why, or why not? Provide all evidence and supporting documentation for your answer.

(b) Do you agree that a higher zone intra-BMC parcel will always travel a significant distance to and from the BMC, but that a Zone 1/2 intra-BMC parcel may or may not? Explain your answer.

UPS/USPS-T16-3. Please refer to Table III-3 on page 25 of USPS-T-16.

(a) Confirm that the transportation cost for Zone 1/2 DDU is the difference between the \$0.3997 per cubic foot for Zone 1/2 DSCF minus the DDU avoided transportation cost of \$0.3337 per cubic foot, or \$0.0660 per cubic foot. If not confirmed, explain.

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(b) Explain in detail why the local zone intra-BMC transportation cost of \$0.9402 per cubic foot is substantially more than that for Zone 1/2 DDU.

(c) Explain in detail why the transportation cost for local zone intra-BMC of \$0.9402 per cubic foot is substantially more than that of Zone 1/2 DSCF of \$0.3997 per cubic foot.

UPS/USPS-T16-4. Please refer to Appendix I, page 2-3 of 13, of USPS-T-16.

(a) Confirm that inter-SCF highway costs are primarily associated with intra-BMC parcels. If not confirmed, explain.

(b) Will those intra-BMC parcels that are transported directly from the origin P&DC to the destination P&DC avoid incurring intra-BMC highway costs?

(c) State separately for each the percentage of inter-BMC, intra-BMC, DBMC, DSCF, and DDU parcels that are expected to be transported directly from the origin P&DC to the destination P&DC in the Test Year.

(d) What analytic methodology and data would be required to take into account the impact of the percentage of parcels transported directly from the origin P&DC to the destination P&DC in your transportation cost analysis?

UPS/USPS-T16-5. Please refer to Appendix I, page 13 of 13, of USPS-T-16. Confirm that the source of Row 14, the "Percentage of DBMC parcels entered at destination SCFs," is Mayes WP 1.F at 1 and that the percentage used is for the Test

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Year Before Rates. If confirmed, why was the percentage for the Test Year After Rates not used? If not confirmed, explain.

UPS/USPS-T16-6. Refer to page 7 of the Direct Testimony of Nicholas Acheson in Docket No. R90-1 (USPS-T-12).

(a) Confirm that the mail flow diagram for third class mail shown on that page is similar to that used to derive transportation costs for parcel post in your testimony (e.g., Figure II-1, on page 6 of USPS-T-16). If not confirmed, explain in detail.

(b) Do you agree with Mr. Acheson's statement on line 2 of page 7 of his testimony that the mail flow diagram shown on that page is a "simplistic model"? Explain your answer.

UPS/USPS-T16-7. Refer to Table 2 on page 8 of Mr. Acheson's testimony in Docket No. R90-1 (USPS-T-12), entitled "Flowpaths in Postal Transportation System," in which 13 possible flowpaths are identified for third class bulk mail.

(a) Do you agree with Mr. Acheson's statement on line 12 of page 7 of USPS-T-12 in Docket No. R90-1 that the transportation patterns shown on Table 2 are "more realistic" than the "simplistic model" shown on page 7? Explain your answer.

(b) Confirm that your analysis of parcel post transportation costs considers only 5 of the 13 flowpaths shown on Table 2 and does not consider flowpaths

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1, 2, 4, 5, 6, 8, 9, and 12? If confirmed, why did you not take into account all 13 flowpaths in your parcel post transportation analysis? If not confirmed, explain in detail.

(c) Confirm that if all 13 flowpaths were considered in your analysis of parcel post transportation costs, the proportion of local and intermediate transportation legs incurred by DBMC and DSCF parcels would be greater. If not confirmed, explain in detail.

(d) What modification to your analysis would be required and what data would be needed to take into account all 13 flowpaths in your analysis of parcel post transportation costs? Explain in detail.

UPS/USPS-T16-8. Refer to Table 3 on page 9 of Mr. Acheson's testimony (USPS-T-12) in Docket No. R90-1.

(a) Confirm that the "Category of Contract Highway Service" for each of the 13 flowpaths identified in the Table is correct for parcel post in the Base Year and in the Test Year in this proceeding. If not confirmed, provide the correct information.

(b) Provide all available data for parcel post in the Base Year and in the Test Year for this proceeding on the "Proportion of Volume From the Origin" for each of the 13 flowpaths shown in the Table. If not available, explain why parcel post data was not gathered in the same manner that Mr. Acheson gathered them for his analysis of third class transportation costs.

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UPS/USPS-T16-9. Refer to Table 1 on page 6 of USPS-T-12 in Docket No. R90-1. For parcel post in the Base Year and in the Test Year in this proceeding, provide the same entry profile data as is contained in that Table. Also provide the data broken out separately for inter-BMC, intra-BMC, and DBMC.

UPS/USPS-T16-10. Refer to Exhibit G, page 2 of 3, of USPS-T-12 in Docket No. R90-1, where, relying on a 1980 study, Mr. Acheson assumed that “approximately 67% of intra-SCF costs is associated with service to stations, branches, and AOs.”

(a) Have there been any updates to the information contained in this 1980 study? If so, provide all such updates.

(b) Confirm that you assume that DDU parcel post avoids 33.37 cents per piece, or 83.5%, of the 39.97 cents per piece of unit attributable transportation costs for DSCF parcel post. If not confirmed, explain.

(c) Do you agree that you have overstated DDU transportation cost savings if Mr. Acheson’s assumption that “67% of intra-SCF costs is associated with service to stations, branches, and AOs” is correct? If you do not agree, explain in detail.

(d) Provide all analyses and supporting documentation for your statement contained in Appendix III, Page 5 of 9, of your testimony (USPS-T-16) that Intra-SCF van and Intra-SCF trailer contract costs are completely avoided by DDU

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parcel post. Confirm that your statement cannot be true if Mr. Acheson's assumption that "67% of intra-SCF costs is associated with service to stations, branches, and AOs" is correct; if not confirmed, explain.

UPS/USPS-T16-11. Refer to lines 23 and 24 on page 31 of USPS-T-12 in Docket No. R90-1, which states: "Unlike intra-BMC transportation, which every piece of DBMC mail would avoid, only a certain percentage of DBMC parcels would avoid intra-SCF transportation as well." Do you agree with this statement?

(a) If yes, did you take into account in your analysis of parcel post transportation costs that only a certain percentage of DBMC parcels would avoid intra-SCF transportation? Explain your answer.

(b) If no, explain in detail why you do not agree.

UPS/USPS-T16-12. Refer to lines 25-26 on page 31, through lines 1-3 on page 32, and Exhibit N of USPS-T-12 in Docket No. R90-1. Confirm that Mr. Acheson assumed that 73.8% of parcel post came to the BMC from satellite facilities.

(a) If confirmed, do you agree with this assumption? If not confirmed, explain in detail.

(b) Provide all studies analyzing the percentage of parcel post at BMCs that originated at satellite facilities which update or refine the information contained in the study relied upon by Mr. Acheson.

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UPS/USPS-T16-13. You state on page 5, lines 23-25, of your testimony that "The distance used to calculate zones is the greater circle distance ("GCD") between origin and destination 3-digit ZIP Code area."

(a) What is the minimum, average, and maximum GCD for each of the postal zones for inter-BMC parcels?

(b) What is the minimum, average, and maximum GCD for each of the postal zones for intra-BMC parcels?

(c) What is the minimum, average, and maximum GCD for each of the postal zones for DBMC parcels?

UPS/USPS-T16-14. Please confirm that it is the use of GCD measurements between origin and destination 3-digit ZIP Code area to establish Parcel Post zones that leads you to assert that intermediate transportation costs are non-distance related for intra-BMC parcels. If not confirmed, please explain.

UPS/USPS-T16-15. Please explain why Parcel Post zones are derived from GCD measurements between origin and destination 3-digit ZIP code area, and not, as described in your testimony and shown in Figure 11-1, on the distance the parcel will travel under parcel transportation patterns. Please provide all studies in which the Postal Service has contemplated revising how a Parcel Post zone is derived.

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UPS/USPS-T16-16. Please refer to pages V-120 and V-121 of the Commission's Recommended Decision in Docket No. R94-1. Confirm that in your rate design for Parcel Post transportation costs, you have not taken into account "distance taper" as requested by the Commission. If not confirmed, explain how and where you did so, and provide all data used for this purpose. If confirmed,

(a) Why was "distance taper" not taken into account in your rate design?

(b) What information and data would you need in order to take distance taper into account in the Parcel Post rate design?

(c) Do you agree that there is distance taper in transportation costs? Explain your answer.

(d) Identify in detail the information and data that is currently available that would help design a distance taper into the Parcel Post rate design and explain how this information and data could be used to estimate distance taper. What are the weaknesses associated with using these particular data to estimate distance taper?

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with section 12 of the Commission's Rules of Practice.


Stephanie Richman

Dated: July 28, 1997
Philadelphia, Pa.