

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
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**SECOND SET OF INTERROGATORIES FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS PANZAR
(UPS/USPS-T11-3 through 5)**

(August 8, 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 Panzar (UPS/USPS-T11-3 through 5).

Respectfully submitted,



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**UNITED PARCEL SERVICE SECOND SET OF INTERROGATORIES
TO UNITED STATES POSTAL SERVICE WITNESS PANZAR**

UPS/USPS-T11-3. Please confirm that a subscript i is missing from the symbol ε at page 23, line 1, of your testimony

UPS/USPS-T11-4. In reference to the equations at page 23, lines 8 to 11, of your testimony, assume that cost components (or subcomponents) 1 and 2 have the same cost driver D_o and that for matters of convenience the two cost components are being combined into a single cost component o . Confirm that the volume variability ε_o of cost component o is given by the following formula:

$$\varepsilon_o = \frac{\varepsilon_1 G_1 + \varepsilon_2 G_2}{G_1 + G_2},$$

where ε_1 and ε_2 are the volume variabilities of cost components 1 and 2, respectively, and G_1 and G_2 are the respective component variable costs. Please explain any nonconfirmation of this result


UPS/USPS-T11-5. In reference to the equations at page 23, lines 8 to 11, of your testimony, assume that the costs $C_o = C_1 + C_2$ associated with cost components (or subcomponents) 1 and 2 are determined jointly, so that

$$C_o = g_o[\max(D_1, D_2)]^{\varepsilon_o}$$

where D_1 and D_2 are the levels provided of some cost driver D that serves both cost components. Confirm that volume variability is ϵ_0 for the cost component utilizing the larger amount of the cost driver (i.e., cost component 1 if $D_1 \geq D_2$ and cost component 2 otherwise) and zero for the cost component using the smaller amount of the cost driver. Please explain any nonconfirmation of this result.

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.



Albert P. Parker, II

Dated: August 8, 1997
Philadelphia, PA