

BEFORE THE  
POSTAL RATE COMMISSION

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POSTAL RATE AND FEE CHANGES, 1997

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DOCKET NO. R97-1

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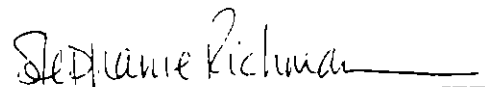
**SECOND SET OF INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS FROM UNITED PARCEL SERVICE  
TO UNITED STATES POSTAL SERVICE WITNESS TAKIS  
(UPS/USPS-T41-4 through 14)**

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(August 13, 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 Takis (UPS/USPS-T41-4 through 14).

Respectfully submitted,



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Of Counsel.

**INTERROGATORIES OF UNITED PARCEL SERVICE  
TO UNITED STATES POSTAL SERVICE WITNESS TAKIS**

**UPS/USPS-T41-4.** Please refer to the Specific Fixed Costs section on pages II-17 and II-18 of your workpapers, and explain the procedure used to determine what costs are specific fixed costs. Please include in your answer a discussion of the following:

- (a) How is it determined that a cost is incurred solely in the service of one subclass (or group of subclasses)?
- (b) Who determines if a cost is a specific fixed cost?
- (c) How does the procedure used in your analysis differ from the procedure the Postal Service uses or used prior to Docket No. R97-1?
- (d) Are specific fixed costs always entire cost pools, or are there more detailed breakdowns? If more detailed breakdowns are not used, please explain why they are not used.

**UPS/USPS-T41-5.** On pages II-17 and II-18 of your workpapers you state, “[t]here are thirteen cost components with specific fixed costs.” However, only nine items are listed. Furthermore, the referenced spreadsheet, IV.A 202, lists fourteen components with specific fixed costs. Please explain these discrepancies; include in your answer an explanation of which is the correct number of cost components, and identify all such components and their respective amounts of (i) total accrued costs and (ii) specific fixed costs.

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**UPS/USPS-T41-6.** On pages II-17 and II-18 of your workpapers you list cost segment 3.1 as having specific fixed costs. These costs are not listed on page IV.A 202 of your workpapers. Please explain this discrepancy and identify by component or subcomponent, nature of activity, and amount all specific fixed costs in cost segment 3.1.

**UPS/USPS-T41-7.** In column [10], on page IV.A 220 of your workpapers, the amount for Priority Mail is \$29,785,000. The entry for Priority Mail in the cited source, USPS-T-5, WP-B, 14.2.1, page 1, is \$29,765,000. Please explain this discrepancy. If the change results in new incremental cost numbers, please provide the corrected numbers.

**UPS/USPS-T41-8.** (a) Please refer to page IV.A 202 of your workpapers, where you allocate costs for the "Xmas Network" to Priority Mail, "Network" costs to Express Mail, and "Western Air" costs to Express Mail. Please explain why you allocated these costs in this manner and provide all workpapers and other backup data for those allocations.

(b) Please provide copies of all contracts with outside contractors concerning the "Xmas Network," the "Network," the "Eagle Network," and "Western Air."

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**UPS/USPS-T41-9.** On page IV.A 202 of your workpapers, for cost segment 16, you allocate Computerized Tracking and Tracing to Express Mail, Parcel Zone Rate, and International. The cited source, USPS-5A, page 52, does not break down the cost by class. Please explain how and why you allocated Computerized Tracking and Tracing costs to the various classes and subclasses of mail and provide all workpapers and backup data for these allocations.

**UPS/USPS-T41-10.** On page IV.A 202 of your workpapers, for cost segment 16, you allocate advertising costs to a number of mail classes. The sum of the amount allocated to the various mail classes is \$66,176,000. The cited source, USPS-5A, page 52, does not break down the cost by class and lists \$235,734,000 of costs as "Other."

(a) Please explain how and why you allocated advertising costs to the various classes.

(b) Please explain why the sum of the amounts allocated to the various classes does not equal the amount in USPS-5A, page 52.

(c) Please provide the most detailed breakdown available of the "Other" costs of \$235,734,000, indicating the nature of the advertising in each instance.

**UPS/USPS-T41-11.** On page IV.A 202 of your workpapers, you list \$1,153,000 for Cost Segment 7 SPR STOP EM BOX. The reference cited in the cross

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walk table is USPS-T-5, WP-B, 7.0.6.10, pages 1 & 2, column 10, which lists \$0.

Please explain this discrepancy.

**UPS/USPS-T41-12.** In your analysis on pages II-3 to II-5 of your workpapers, you calculate a change in the amount of cost driver associated with subclass (i) by using the ratio of volume variable costs for subclass (i) to total volume variable costs for the cost pool. Please confirm that volume variable cost serves as a proxy for the driver, and that volume variable cost is assumed to increase linearly with the driver. If you do not confirm, please explain why you use volume variable cost instead of the driver.

**UPS/USPS-T41-13.** On page IV.A 202 of your workpapers, for cost segment 9, Express Specific Fixed, you allocate \$8,577,000 to Express Mail. The cross walk table cites reference USPS-T-5, WP-B, 9.0.3, C5L14a + C6L14a + C5L18 +C6L18 - C9L18, which totals \$7,967,000. Please explain this discrepancy.

**UPS/USPS-T41-14.** On page IV.A 202 of your workpapers, for cost segment 3, Clerks and Mail Handlers, you allocate \$10,669,000 to Express Mail. The cited source, USPS-5A, page 22, lists \$10,669,000 of "Other" costs. Please explain your rationale for allocating these costs to Express Mail.

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.

  
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Stephanie Richman

Dated: August 13, 1997  
Philadelphia, Pa.