

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRADLEY
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(UPS/USPS-T13-20-23)

The United States Postal Service hereby provides responses of witness
Bradley to the following interrogatories of United Parcel Service:

UPS/USPS-T13-20-23, filed on August 4, 1997.

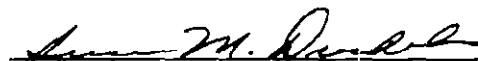
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

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August 18, 1997

*Response of United States Postal Service Witness Bradley
to
Interrogatories of United Parcel Service*

UPS/USPS-T13-20. In reference to Table 15 of your testimony and the HCSS database (WP-1), please identify the HCRID observation number corresponding to each of the eliminated observations in Table 15 by category.

UPS/USPS-T13-20 Response:

A complete listing of the eliminated observations and their account numbers is presented on pages 131 through 134 of my [Docket No. MC97-2] Workpaper WP-7. However, for convenience, I reproduce the relevant HCRIDs here and arrange them by the regression categories listed in Table 15. Also, please note that the duplication of certain HCRIDs is not an error. This duplication occurs because there is more than one contract cost segment for those HCRIDs.

A Listing of the HCRIDs for Omitted Observations Arranged by Regression Categories

GROUP= BOX ROUTE

93641
 92376
 12878
 12863
 82481
 84362
 16664
 99163
 57768
 95278
 05760
 80660
 84762
 88467
 85933
 82662
 82672
 89363
 89867
 82671
 59361
 18480
 00998
 59066
 26274
 82368
 12902
 32057
 14401

GROUP= INTRA-CITY

3158A
 397AD
 326AB
 523AD
 318AD
 397AD
 573BD
 499AD
 969BD
 323AD
 618BD
 755AD
 158AG
 836AA
 618BD
 304BA
 870AA
 044BD
 054CD
 549AA
 497BA
 969HE
 541AD
 882AA
 755BA
 847AD
 218AB
 996DD
 999BD
 967LB
 969HB
 969DB
 008AB
 820BD
 544DD
 321AA

GROUP=INTRA-SCF VAN

38961
 044AU
 18431
 50504
 18639
 86461
 37666
 16332
 16332
 99730
 67306
 02563
 04330
 25840
 49234
 12910
 83647
 520AJ
 38865
 17784
 30161
 17784
 17784
 95941
 54865
 29902
 164FU
 324AV
 302OU
 301CU

GROUP=INTRA-SCF TRAILER

92640
 12801
 72020
 38127
 72023
 37006
 65343
 19439
 028JU
 170BU
 009EV

GROUP=INTER-SCF VAN

16430
 12514
 030AB
 92610
 545AD
 54611
 70011
 99602
 78875
 94019
 99503
 611AD
 323KU
 164HU
 434PU

GROUP=INTER-SCF TRAILER

38116
 07013
 38120
 17511
 17511
 370HR
 90244
 90218
 90242
 11329
 254BU
 254HU
 448MU
 191MU

Attachment to UPS/USPS-T13-20 Page 2 of 2

GROUP=INTRA-BMC

98098
25013
80223
80395
16392
452BR
37BAR
217B5
71332
38261
74735
322AR
151NU
274AV
061BR
577AD

GROUP=INTER-BMC

90190
27410
19492
51010
192WJ

GROUP=PLANT LOAD

020AR
37D32
675AR
541MR
380PX
380HW
380HX
380HX
380GW
021AR
615AR
810MR
5310R
335HW
453HW
202AQ
202AQ
202AQ
060BR
189CR
902AK
2008Q
200WQ
200TQ
200WQ
200PQ
200WQ
46607
173FR
610BR
027AR
494MR
226WX
19531

Response of United States Postal Service Witness Bradley
to
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UPS/USPS-T13-21. Your testimony in Docket No. R87-1 (USPS-T-9) included an analysis of time series data for selected inter-SCF and inter-BMC contracts (Tr. 12/8670). Please state whether you have subsequently conducted any variability-related analyses of USPS purchased transportation costs based on time series data. If so, please describe the particulars of all such analyses, including the mode of transportation, the time period covered, the econometric model or other estimation methodology applied, the data sources used, the results of the analyses performed, and any conclusions drawn from the analyses.

UPS/USPS-T13-21 Response:

I have not conducted any subsequent variability-related analyses of USPS purchased transportation costs based on time series data.

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UPS/USPS-T13-22. With reference to equation (1) at page 6 of your testimony, please confirm that the variability of a particular contract or route j might be different from the value of the β_1 coefficient if that contract's CFM $_j$ and RL $_j$ characteristics differ from the mean values CFM and RL, respectively.

UPS/USPS-T13-22 Response:

I would caution against applying the equation to an individual contract for the purposes of calculating a variability. The estimated variability measures the responsiveness of cost across all contracts in the cost pool. As the Commission stated in Docket No. R87-1:¹

We believe that, using the translog model with the extensive data set available, the variability levels estimated reflect the entire range of cost-affecting changes.

Nevertheless, as a mechanical matter, I agree that if the equation is evaluated at values for an individual contract whose CFM and RL characteristics differ from the mean values, the calculated variability will not equal β_1 .

¹See, PRC Op., R87-1, at page 308.

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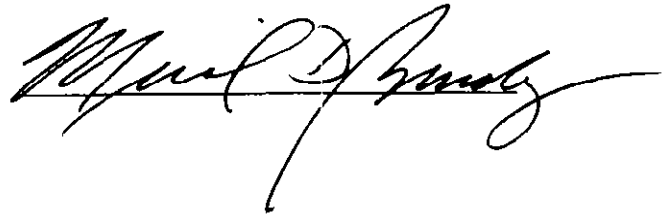
UPS/USPS-T13-23. In reference to page 14 of your testimony, please confirm whether the HCSS data set represents substantially all of the purchased highway transportation contracts for which Cost Segment 14 -- Highway costs were accrued during FY1995, and explain the source of any differences between the total dollar amounts recorded.

UPS/USPS-T13-23 Response:

Confirmed. Differences will arise between the total dollar amounts recorded across all contracts in HCSS and the amounts recorded in the cost accounts because HCSS captures the annual rate at which contractors are paid and the cost accounts capture the actual payments. The actual payments will differ from plan because of factors like exceptional service and extra trips.

DECLARATION

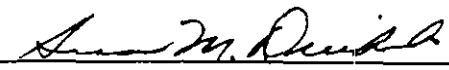
I, Michael D. Bradley, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "Michael D. Bradley", written over a horizontal line.

Dated: August 18, 1997

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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