

BEFORE THE
POSTAL RATE COMMISSION

RECEIVED

Aug 19 12 59 PM '97

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

DOCKET NO. R97-1

**SECOND SET OF INTERROGATORIES FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS BARON
(UPS/USPS-T17-2 through 8)**

(August 19, 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 Baron (UPS/USPS-T17-2 through 8).

Respectfully submitted,



John E. McKeever
Albert P. Parker, II
Stephanie Richman
Attorneys for United Parcel Service

SCHNADER HARRISON SEGAL & LEWIS LLP
1600 Market Street, Suite 3600
Philadelphia, Pennsylvania 19103-7286
(215) 751-2200

and

1913 Eye Street, N.W., Suite 600
Washington, D.C. 20006-2106
(202) 463-2900

Of Counsel.

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

UPS/USPS-T17-2. Please refer to page 6, line 7, of your testimony.

(a) Please confirm that the fixed time at each stop is equal to a period of time that does not vary from stop to stop. If not, please explain.

(b) Have you analyzed the extent to which a carrier's time to prepare for loading and collecting mail does not vary from stop to stop? If so, please explain your analysis and provide copies of any supporting workpapers or other documentation. If not, on what basis do you assume that the time to prepare for loading and collecting mail is fixed?

UPS/USPS-T17-3. Please refer to page 10, lines 10-12, of your testimony, where you state "Of these 1,373 tests, the lowest recorded load time was 0.4 seconds. However, load times at one-letter stops varies from this low to a high of 6.34 seconds." Please reconcile this statement with the data contained in USPS-LR-H-140 wherein the load time at SDR stops receiving only one letter range from 4 tenths of a second. to 634 tenths of a second (i.e., 0.4 seconds to 63.4 seconds).

UPS/USPS-T17-4. Please refer to the paragraph beginning at page 11, line 6, of your testimony.

(a) What statistical/econometric theory have you relied upon to support using the lowest 20th percentile of load times for one letter deliveries to determine the upper bound of fixed time per stop?

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

(b) If not based on statistical/econometric theory, what is your rationale for using the lowest 20th percentile of the tests of load times for one letter deliveries to determine the upper bound of fixed time per stop? Please explain and provide supportive documentation.

(c) Have you determined that using the lowest 20th percentile of the tests versus the lowest single observation (i.e., 0.4 seconds) yields a more accurate estimate of the fixed time at stop? If so, please explain.

(d) Please explain why the lowest 10th percentile of the tests would not serve as an appropriate estimate of the upper bound of fixed time per stop.

(e) Please confirm that, by definition, the load time relating to 20% of all one letter deliveries would be considered fixed under the proposed treatment of the fixed time at stop. Please explain any nonconfirmation.

(f) Please explain why you consider it inappropriate to rely on the load time of 0.4 seconds as observed in 5 out of 1,373 SDR tests conducted at one-letter stops.

(g) Have you determined that the 5 observations of 0.4 seconds referred to in (f) above are outliers? If so, please provide all analyses demonstrating this fact.

(h) Please identify all evidence suggesting that the 5 observations of 0.4 seconds referred to in (f) above are not an accurate representation of the upper bound on fixed time at stop.

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

(i) Please explain why a subset of tests representing the lowest load times is more accurate than the lowest observation in estimating the upper bound on fixed time per stop.

UPS/USPS-T17-5. Please refer to the data set included as part of USPS-LR-H-140. Please confirm that each recorded load-time observation includes the fixed time at stop plus some volume variable time relating to actual load time. If confirmed, please explain why the time recorded for 113 SDR stops (ranging from 0.4 seconds to 1 second) were less than the alleged fixed time component (e.g. 1.052 seconds for SDR stops). How does the calculation of the fixed time at stop treat these observations (100% fixed)?

UPS/USPS-T17-6. Please refer to Page 13 of your testimony.

(a) Please confirm that in the CATFAT study, at each stop the carrier was required to refer to a pre-numbered checklist and to check off the corresponding stop number. If not, please explain.

(b) Please confirm that the activities referred to in (a) are unique to the testing process and not normal carrier delivery activities. If not, please explain.

(c) Please confirm that the time required to perform the activities referred to in (a) are included as part of access time. If not, please explain.

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

(d) Are you aware of any estimates of the time required to perform the activities in (a)? If so, please elaborate on such estimates, including an identification of all associated data sources, estimation methods, and results.

(e) Please explain the extent to which the time related to the activities in (a) already account for the fixed time at a stop.

UPS/USPS-T17-7. Please refer to page 16, line 18, of your testimony.

(a) What is the level of correlation between possible deliveries and actual deliveries? Please identify the data used to test the level of correlation.

(b) Beyond the fact that possible deliveries and actual deliveries are highly correlated, did you test the extent to which possible deliveries operates as an effective proxy for actual deliveries in the regression estimations? If so, please explain your results.

(c) Based on the fact that changes in possible deliveries do not precisely measure changes in actual deliveries, to what extent does using possible deliveries as a proxy for actual deliveries either overstate or understate the actual deliveries effect? If there is an overstatement or understatement, have you evaluated various means to correct it?

UPS/USPS-T17-8. Please refer to page 35, lines 1-17, of your testimony.

(a) Please confirm that the volume elasticities, as calculated using equation (1) at page 7 of your testimony, would be different if the mean volumes used

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


to calculate the elasticities were increased by 1%. If so, please explain why these elasticities would not be more appropriate to use in place of the 61% aggregate elasticity referenced in your illustration at page 35.

(b) To what extent is the "flaw" referred to in your illustration caused by the fact that the volume elasticities are calculated at the mean? Please explain your answer.

(c) Did you evaluate any alternative methods to estimate coverage-related costs that would eliminate this problem? If so, please explain your results and provide copies of your workpapers and other documentation.

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 19, 1997
Philadelphia, PA