

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

RECEIVED  
SEP 2 4 53 PM '97  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS HATFIELD TO INTERROGATORIES OF  
UNITED PARCEL SERVICE  
(UPS/USPS-T16-18-22)

The United States Postal Service hereby provides responses of witness Hatfield to the following interrogatories of United Parcel Service: UPS/USPS-T16-18-22, filed on August 19, 1997.

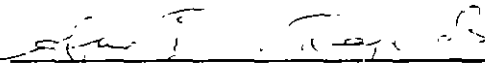
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



Anne B. Reynolds

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2970; Fax -5402  
September 2, 1997

**UPS/USPS-T-16-18.** Please refer to page 19 of your testimony, and Appendix I, pages 7 to 13. Confirm that your determination of the average number of local, intermediate, and long distance legs traveled by a DBMC parcel, as adjusted for DBMC parcels entered at destination SCFs, includes no legs of transportation or portions thereof to account for returns of empty containers to the point of origin. If you cannot confirm, please explain how your analysis accounts for the costs incurred in returning containers.

**RESPONSE:**

Confirmed. The determination of average number of legs traveled by a parcel in a given rate category focuses on the number of transportation legs upon which parcels will actually travel. Since parcels do not travel on transportation that returns empty equipment to the point of origin, these trips were not considered in the determination of average legs traveled.

However, the transportation costs distributed to parcel post for moving empty equipment are accounted for elsewhere in my analysis. Page 5 of Appendix I of my testimony states that highway empty equipment costs "are distributed to transportation function in the same proportion as the composite of intra-SCF, inter-SCF, inter-BMC, plant load, and contract terminal and van damage [highway] costs." Similarly, rail empty equipment costs "are [also] distributed to transportation function in the same proportion as the composite of passenger train, freight rail, and plant load rail costs." This method of distributing empty equipment costs is consistent with the method used to distribute these costs to the classes and subclasses of mail.

**UPS/USPS-T-16-19. Referring to Appendix I, pages 12 and 13, please indicate what portions of Alaska Parcel Post cubic feet or cubic feet miles are reflected in your calculations. Explain how you reconcile your answer with the omission of "Alaska non-pref air costs" in the total costs allocated at page 13.**

**RESPONSE:**

Cubic feet and cubic foot miles associated with Alaska bypass Parcel Post volume are not included in the calculations contained in my testimony.

Therefore, the cubic feet and cubic foot miles used my testimony are consistent with removal of Alaska non-pref air costs.

**UPS/USPS-T-16-20.** Referring to page 6, Figure II-1, and page 10, Figure II-3, of your testimony, please confirm that all inter-BMC and intra-BMC parcels follow the indicated pathways including one or more BMC/ASFs, with the exception of the AO holdouts and DSCF parcels cited at rows 10 and 14 of Appendix I, page 13. Please explain any nonconfirmation and reconcile your answer with the \$14,027,000 in the inter-SCF highway transportation costs indicated at page 11 of Appendix I. Do parcels ever travel directly between P&DCs (line f in the above-referenced Figures)?

**RESPONSE:**

• **Not confirmed.** Figures II-1 and II-3 represent the typical transportation pattern of Parcel Post pieces and are used only for illustrative purposes. These figures are not intended to represent all possible transportation patterns of Parcel Post. Some Parcel Post pieces do travel between P&DCs, as evidenced by the inter-SCF highway transportation costs distributed to Parcel Post. However, these inter-SCF highway transportation costs amount to only 4.6 percent of all Parcel Post purchased transportation costs. Although transportation between P&DCs is not reflected in the figures describing typical Parcel Post transportation patterns, the costs associated with this transportation are accounted for in my testimony.

**UPS/USPS-T-16-21.** Referring to Appendix 1, page 13, footnote 10, please provide your rationale and all evidence underlying the 0.5 factor applied to account for intra-BMC parcels being held out at the local AO.

**RESPONSE:**

It is my understanding that local zone intra-BMC parcels may or may not be held out at local offices for a variety of reasons including availability of space, time, and/or lower volumes that allow a clerk to recognize local addresses. It is also my understanding that the process of holding out a parcel is left to the discretion of the local office, and it depends on the unique circumstances that an office encounters on any given day.

No data currently exist and no studies have been conducted that measure the amount of local zone intra-BMC parcel post held out at local offices. Further, these data would be difficult to collect due to the small volume of local zone intra-BMC Parcel Post and the inconsistent nature with which it is held out. Therefore, based on qualitative information from field personnel and because of the varying and undetermined percentage of held out Parcel Post, the 0.5 factor was chosen as a reasonable estimate of held out parcels.

**UPS/USPS-T-16-22. Please refer to your testimony at pages 14 and 15, and Appendix I, at pages 11 and 12.**

(a) Please confirm that "parcel post postal owned vehicle costs are treated in the same manner as intra-SCF purchased transportation costs" (page 15 lines 21-22). Please explain any nonconfirmation.

(b) Please confirm that intra-SCF purchased transportation costs are all assigned as local functional costs. Please explain any nonconfirmation.

(c) Please confirm that intra-SCF purchased transportation costs include costs for the contractors' vehicles in addition to other highway contractor costs. Please explain any nonconfirmation.

(d) Please confirm that Appendix I, page 12, line 16, is for Cost Segment 8, Vehicle Service Drivers, and does not include vehicle costs. Please explain any nonconfirmation.

(e) Please explain how your analysis accounts for Vehicle Service Driver vehicle costs.

**RESPONSE:**

(a) Confirmed.

(b) Confirmed

(c) Confirmed

(d) Confirmed

(e) These costs are accounted for in the vehicle service driver piggyback factor that is applied to vehicle service driver costs on page 12 of Appendix I of my testimony.

**DECLARATION**

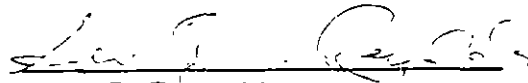
I, Philip A. Hatfield, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Philip A. Hatfield

Dated: 9-2-97

## 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.

A handwritten signature in black ink, appearing to read "Anne B. Reynolds", written over a horizontal line.

Anne B. Reynolds

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
September 2, 1997