

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WADE TO INTERROGATORIES OF
UNITED PARCEL SERVICE
(UPS/USPS-T20-1-3)

The United States Postal Service hereby provides responses of witness Wade to the following interrogatories of United Parcel Service: UPS/USPS-T20-1-3, filed on August 21, 1997.

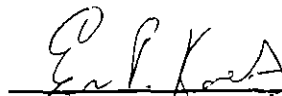
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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September 4, 1997

**RESPONSE OF USPS WITNESS WADE TO INTERROGATORIES FROM
UNITED PARCEL SERVICE**

UPS/USPS-T20-1. In reference to page 6, footnote 4 of your testimony, please identify which non-BMC facilities are included in your sample and which non-BMC facilities were excluded, and indicate the reasons for each exclusion. For each included and excluded non-BMC facility, please provide the VSD workhours reported in FY 1993 and in FY 1996.

RESPONSE: The attached table displays the 1993 and 1996 data for the non-BMC facilities reporting VSD workhours. Survey forms were unavailable for all but 89 facilities. The numbering scheme accords with Workpaper B, pages 3 and 4 which indicates the reasons for excluding observations from the 89 survey respondents.

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Number	Flag149	Flag53	1993 Hours	1996 Hours					
1	1	0	361118	391644					
2	1	1	194550	223067					
3	1	1	40163	39189	Notes.				
4	1	1	161151	179238	o	Number is the facility numbering scheme.			
5	1	1	239847	297868		The first 89 numbers are for facilities that participated in the survey.			
6	1	0	89660	122566	o	Flag149 denotes facilities that were judged to have significant 1993 workhours. 152 facilities have flags of 1. NWRS data for 3 of the flagged facilities were not available, leaving 149 facilities			
7	1	1	212020	228430					
8	1	0	61261	61554	o	Flag53 denotes facilities included in the sample used for developing the base year variability.			
9	1	1	47935	62120					
10	1	0	40648	46867	o	Facilities numbered below from 90 on, did not have survey information and were excluded for this reason.			
11	1	1	10598	6612					
12	1	1	31506	32004	o	Facilities with Flag53 = 0 were excluded for reasons listed in USPS-T-20, Workpaper B, pages 3 and 4.			
13	1	0	0	0					
14	1	0	109226	158108					
15	1	1	46447	53724					
16	1	1	39494	46488					
17	1	1	250443	279776					
18	1	0	16226	20604					
19	1	0	0	0					
20	1	0	66080	89172					
21	1	0	397215	388459					
22	1	0	88158	98936					
23	1	0	77568	97332					
24	1	0	39736	50222					
25	1	1	25632	46981					
26	1	1	49856	52888					
27	1	1	86357	118808					
28	1	0	300019	325827					
29	1	0	17245	16065					
30	1	1	42448	56709	Number	Flag149	Flag53	1993 Hours	1996 Hours
31	1	1	53124	58838					
32	1	1	156620	174584	199	0	0	192	2
33	1	0	462232	432337	200	0	0	188	0
34	1	1	849610	906630	201	0	0	187	0
35	1	1	22806	24947	202	0	0	176	0
36	1	1	7200	7953	203	0	0	174	0
37	1	0	81035	100734	204	0	0	173	0
38	1	1	625760	646285	205	0	0	167	31
39	1	1	5627	7	206	0	0	162	213
40	1	0	406593	361447	207	0	0	144	39
41	1	0	353416	365707	208	0	0	136	0
42	1	1	449471	532419	209	0	0	133	0
43	1	1	335394	320212	210	0	0	132	0
44	1	1	170319	199140	211	0	0	127	0
45	1	0	170536	184401	212	0	0	118	136
46	1	0	133786	158881	213	0	0	112	0
47	1	1	18710	22642	214	0	0	112	0
48	1	1	104719	104165	215	0	0	106	8

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49	1	0	59455	74326	216	0	0	104	0
50	1	1	40699	50169	217	0	0	103	0
51	1	1	221069	239078	218	0	0	102	0
52	1	1	5902	5892	219	0	0	99	0
53	1	1	90292	146807	220	0	0	98	34
54	1	1	110118	161566	221	0	0	97	0
55	1	0	184487	210809	222	0	0	96	3
56	1	1	35082	39178	223	0	0	96	0
57	1	0	31432	34375	224	0	0	84	38
58	1	0	66574	65944	225	0	0	82	0
59	1	1	140635	164943	226	0	0	82	0
60	1	1	63567	75446	227	0	0	80	40
61	1	1	106163	117900	228	0	0	78	6
62	1	0	227250	276957	229	0	0	74	0
63	1	0	125050	151623	230	0	0	72	0
64	1	0	155408	183841	231	0	0	69	0
65	1	1	181754	247600	232	0	0	69	0
66	1	0	39399	45899	233	0	0	69	0
67	1	0	53358	67075	234	0	0	64	0
68	1	1	37121	33874	235	0	0	63	0
69	1	0	262831	286888	236	0	0	62	124
70	1	1	118333	0	237	0	0	62	0
71	1	0	72323	81771	238	0	0	61	70
72	1	1	23831	24596	239	0	0	60	0
73	1	1	25477	26732	240	0	0	57	0
74	1	1	56334	63164	241	0	0	52	3
75	1	1	23852	24275	242	0	0	50	0
76	1	0	175474	161892	243	0	0	49	0
77	1	1	101195	127947	244	0	0	48	0
78	1	1	28415	30016	245	0	0	47	0
79	1	1	14432	15593	246	0	0	46	0
80	1	0	136410	167584	247	0	0	44	0
81	1	1	79004	77689	248	0	0	44	0
82	1	1	16214	15487	249	0	0	44	0
83	1	0	0	0	250	0	0	43	-4
84	1	1	7383	8027	251	0	0	42	0
85	1	1	25197	32583	252	0	0	42	257
86	1	1	51524	64796	253	0	0	41	7433
87	1	1	116981	132824	254	0	0	40	0
88	1	1	22234	35318	255	0	0	40	8
89	1	0	12702	18587	256	0	0	40	0
90	1	0	31007	34266	257	0	0	39	0
91	1	0	15593	19856	258	0	0	38	0
92	1	0	6022	0	259	0	0	35	0
93	1	0	4642	2	260	0	0	35	0
94	1	0	68532	92947	261	0	0	35	0
95	1	0	286872	298348	262	0	0	34	0
96	1	0	10130	17509	263	0	0	34	0
97	1	0	95168	99909	264	0	0	34	48
98	1	0	19801	22050	265	0	0	33	0
99	1	0	100423	127511	266	0	0	32	40
100	1	0	36961	35105	267	0	0	31	0

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101	1	0	178482	215820	268	0	0	29	10
102	1	0	178273	197610	269	0	0	27	0
103	1	0	5958	0	270	0	0	27	0
104	1	0	10223	9757	271	0	0	25	0
105	1	0	43090	62716	272	0	0	24	0
106	1	0	56109	53235	273	0	0	24	0
107	1	0	139793	150176	274	0	0	24	0
108	1	0	9417	12490	275	0	0	24	266
109	1	0	18343	15659	276	0	0	23	344
110	1	0	111257	117398	277	0	0	22	0
111	1	0	64808	76436	278	0	0	22	0
112	1	0	52501	52921	279	0	0	21	0
113	1	0	13534	19103	280	0	0	20	0
114	1	0	34372	33785	281	0	0	20	0
115	1	0	8007	14205	282	0	0	19	0
116	1	0	33704	35967	283	0	0	19	19
117	1	0	5191	14149	284	0	0	19	0
118	1	0	35401	39205	285	0	0	18	0
119	1	0	5537	166075	286	0	0	18	10
120	1	0	19608	21720	287	0	0	17	0
121	1	0	115119	0	288	0	0	17	0
122	1	0	24799	26282	289	0	0	16	0
123	1	0	8391	8399	290	0	0	16	0
124	1	0	210009	209474	291	0	0	15	0
125	1	0	18063	49022	292	0	0	13	0
126	1	0	32299	46694	293	0	0	13	0
127	1	0	57144	82254	294	0	0	13	153
128	1	0	8645	8621	295	0	0	13	1
129	1	0	16905	14535	296	0	0	12	0
130	1	0	28351	38813	297	0	0	12	2
131	1	0	13010	15444	298	0	0	12	0
132	1	0	21743	26594	299	0	0	12	0
133	1	0	10806	0	300	0	0	11	0
134	1	0	20173	24323	301	0	0	11	0
135	1	0	141188	221478	302	0	0	10	0
136	1	0	81496	103000	303	0	0	10	0
137	1	0	59466	63825	304	0	0	10	0
138	1	0	68265	2726	305	0	0	9	0
139	1	0	20408	391	306	0	0	9	337
140	1	0	19799	22849	307	0	0	8	0
141	1	0	42188	36645	308	0	0	8	33
142	1	0	141610	185211	309	0	0	7	3
143	1	0	53435	59792	310	0	0	7	10
144	1	0	33506	41984	311	0	0	7	94
145	1	0	17398	19250	312	0	0	7	0
146	1	0	44367	55578	313	0	0	7	3
147	1	0	13458	16102	314	0	0	6	0
148	1	0	18064	25837	315	0	0	6	0
149	1	0	5177	4999	316	0	0	6	6
150	1	0	36632	31968	317	0	0	6	0
151	1	0	10634	9665	318	0	0	6	7646
152	1	0	22172	25215	319	0	0	5	0

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153	0	0	8092	0	320	0	0	5	0
154	0	0	4203	4043	321	0	0	5	0
155	0	0	3419	21	322	0	0	5	0
156	0	0	3384	4657	323	0	0	5	-8
157	0	0	3005	3982	324	0	0	4	0
158	0	0	2351	0	325	0	0	4	0
159	0	0	2304	16	326	0	0	4	0
160	0	0	2265	3642	327	0	0	4	6
161	0	0	2229	0	328	0	0	4	0
162	0	0	2065	3717	329	0	0	4	0
163	0	0	2061	0	330	0	0	4	0
164	0	0	2012	2053	331	0	0	4	-1512
165	0	0	1832	0	332	0	0	4	0
166	0	0	1829	3212	333	0	0	4	0
167	0	0	1801	113	334	0	0	4	0
168	0	0	1171	1276	335	0	0	4	0
169	0	0	992	0	336	0	0	4	0
170	0	0	938	0	337	0	0	4	2
171	0	0	884	6983	338	0	0	4	0
172	0	0	855	0	339	0	0	3	0
173	0	0	725	0	340	0	0	3	0
174	0	0	641	0	341	0	0	3	0
175	0	0	628	0	342	0	0	3	0
176	0	0	530	0	343	0	0	3	0
177	0	0	494	69	344	0	0	3	0
178	0	0	481	0	345	0	0	2	0
179	0	0	422	0	346	0	0	2	0
180	0	0	413	154	347	0	0	2	0
181	0	0	388	0	348	0	0	2	3
182	0	0	382	0	349	0	0	2	0
183	0	0	334	17	350	0	0	2	1
184	0	0	266	44978	351	0	0	2	0
185	0	0	263	1676	352	0	0	2	0
186	0	0	259	9757	353	0	0	2	6
187	0	0	257	0	354	0	0	1	0
188	0	0	253	0	355	0	0	1	0
189	0	0	243	14	356	0	0	1	0
190	0	0	241	83	357	0	0	1	4
191	0	0	234	0	358	0	0	1	0
192	0	0	230	10	359	0	0	1	0
193	0	0	219	0	360	0	0	1	0
194	0	0	217	0	361	0	0	1	0
195	0	0	214	9	362	0	0	1	0
196	0	0	210	0	363	0	0	1	0
197	0	0	206	84	364	0	0	1	0
198	0	0	197	678	365	0	0	1	0
					Totals	152	53	14064644	15605802

**RESPONSE OF USPS WITNESS WADE TO INTERROGATORIES FROM
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UPS/USPS-T20-2. In reference to your observations concerning volume variability as a function of facility size at page 20, lines 5 to 13, of your testimony, please confirm that a 5-percent increase in volume at all facilities would result in an increase in VSD workhours by more than 65.4% of 5 percent, since 65.4% is the variability of VSD hours at the mean facility and variability increases with facility size. Please explain any nonconfirmation.

RESPONSE: This is mathematically correct for my model. However, applying such an estimate in practice raises several issues and complications. First, the assumption of proportional volume growth across facilities is questionable -- there are bound to be gainers and losers. Even though volume changes are not available, changes in VSD workhour usage is certainly not proportional based on the data provided for UPS/USPS-T20-1, above. The average increase in VSD hours usage was 11%, while for individual facilities the growth ranged from a decrease of 38% to an increase of 83%.

A second practical issue raised is that even if volume growth occurs in a proportional nature, other factors which influence variability may not grow proportionally (for example, in the present case, AvgMPH may change across facilities in a very uneven manner).

Third, when summing predicted hours responses across facilities, the confidence interval of the predicted sum is complicated by the fact that it is a function of the sum of individual estimates,

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each with their own and unique interval. The confidence intervals for very small or large facilities may be quite large relative to the average facility, since the further away from the average facility that a specific facility lies, the greater the confidence interval for its estimated hours.

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UPS/USPS-T20-3. In reference to your identification of four irregular observations cited in your Workpaper F, Supplemental Analysis, please state whether inclusion or exclusion of these four observations provides a more or less reliable estimate of volume variability based on your preferred regression equation model, and state the basis for your conclusions.

RESPONSE: The four irregular observations excluded in the supplemental analysis of Workpaper F were excluded because of data issues. Thus, I view the estimates in Workpaper F as more reliable.

DECLARATION


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

Date: 9-4-97

S. H. M. W. L.

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.



Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
September 4, 1997