

**BEFORE THE
POSTAL RATE COMMISSION**

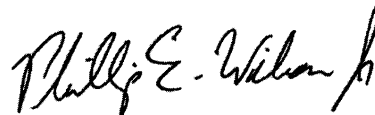
POSTAL RATE AND FEE CHANGES, 2001

DOCKET NO. R2001-1

**INTERROGATORIES OF UNITED PARCEL SERVICE TO
UNITED STATES POSTAL SERVICE WITNESS HATFIELD
(UPS/USPS-T18-12 through 15)
(December 4, 2001)**

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby files and serves the following interrogatories directed to United States Postal Service witness Hatfield: UPS/USPS-T18-12 through 15.

Respectfully submitted,



John E. McKeever
Phillip E. Wilson, Jr.
Laura A. Biancke
Attorneys for United Parcel Service

Piper Marbury Rudnick & Wolfe LLP
3400 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103-2762
(215) 656-3300
(215) 656-3301 (FAX)
and
1200 Nineteenth Street, NW
Washington, DC 20036-2430
(202) 861-3900

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UPS/USPS-T18-12. Refer to your answer to interrogatory UPS/USPS-T18-11 where you state that “FY 2001 through FY 2003 Air Taxi costs by class and subclass of mail are estimated by applying cost and volume adjustment to the Base Year Air Taxi costs by class and subclass of mail.” Confirm that this answer refers to the methodology used to estimate the “Status Quo” costs rather than the “FedEx Scenario” costs. If not confirmed, explain.

UPS/USPS-T18-13. Refer to Table USPS-T-18A, on page 13 of your testimony, and Table USPS-T-18E, on page 33 of your testimony.

(a) Confirm that the status quo cost for Parcel Post is \$12,280,000 in FY2002 (see Table USPS-T-18A). If you do not confirm, provide the correct number.

(b) Confirm that under the FedEx contract, the cost is expected to decrease to \$4,129,000 in FY2002 for a net decrease of \$8,151,000 (see Table USPS-T-18E). If you do not confirm, provide the correct numbers.

(c) Explain completely all of the reasons for the projected decrease in Parcel Post costs in FY2002 under the FedEx contract.

UPS/USPS-T18-14. Refer to Table USPS-T-18B, on page 14 of your testimony, and Table USPS-T-18F, on page 34 of your testimony.

(a) Confirm that the status quo cost for Parcel Post is \$13,136,000 in FY2003 (see Table USPS-T-18B). If you do not confirm, provide the correct number.

(b) Confirm that under the FedEx contract, the cost is expected to decrease to \$4,272,000 in FY2003 for a net decrease of \$8,864,000 (see Table USPS-T-18F). If you

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do not confirm, provide the correct numbers.

(c) Explain completely all of the reasons for the projected decrease in Parcel Post costs in FY2003 under the FedEx contract.

UPS/USPS-T18-15. Refer to your answer to interrogatory UPS/USPS-T18-10, where you confirm that 100 percent of FY 2002 and FY 2003 air taxi costs will be replaced by the FedEx contract.

(a) Confirm that, according to Table USPS-T-18A, on page 13 of your testimony, 9.5 percent of FY 2002 Air Taxi costs are attributed to Parcel Post. If you do not confirm, provide the correct number.

(b) Confirm that, according to Table USPS-T-18B, on page 14 of your testimony, 9.8 percent of FY 2003 Air Taxi costs are attributed to Parcel Post. If you do not confirm, provide the correct number.

(c) Does your methodology assume that all Parcel Post volume that is transported via Air Taxi in the "Status Quo" scenario will be carried by the FedEx transportation contract?

(i) If your answer is yes, explain why FY 2002 Parcel Post transportation costs fall by 66 percent from the "Status Quo" scenario to the "FedEx Scenario" (\$12,280,000 to \$4,129,000), and why FY 2003 Parcel Post transportation costs fall by 67 percent from the "Status Quo" scenario to the "FedEx Scenario" (\$13,136,000 to \$8,864,000).

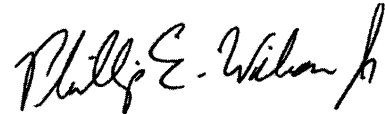
(ii) If your answer is no, provide corrected "FedEx Scenario" costs for FY

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2002 and FY 2003 that reflect the volume that is currently carried on Air Taxis.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Commission's Rules of Practice.



Phillip E. Wilson, Jr.
Attorney for United Parcel Service

Dated: December 4, 2001
Philadelphia, PA

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