

**BEFORE THE  
POSTAL RATE COMMISSION**

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**POSTAL RATE AND FEE CHANGES, 2001**

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**DOCKET NO. R2001-1**

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**INTERROGATORIES OF UNITED PARCEL SERVICE TO  
UNITED STATES POSTAL SERVICE WITNESS KIEFER  
(UPS/USPS-T33-21 through 23)  
(December 7, 2001)**

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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 Kiefer: UPS/USPS-T33-21 through 23.

Respectfully submitted,

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UPS/USPS-T33-21. Refer to Witness Eggleston's response to UPS/USPS-T25-3(d), and workpapers WP-PP-22, WP-PP-24, and WP-PP-26 from library reference USPS-LR-J-106. Confirm that the preliminary rates (exclusive of the weight-related and delivery confirmation components) for intra-BMC parcels and DBMC entry parcels do not take into account the difference in the average cubic feet per piece between intra-BMC and DBMC parcels. If confirmed, explain why not. If not confirmed, explain.

UPS/USPS-T33-22. Assume the following:

- The parcel subclass is comprised of an equal number of intra-BMC (Bulk Mail Center) parcels and Destination Bulk Mail Center ("DBMC") parcels (these are the only two rate categories).
- The average intra-BMC parcel has fewer cubic feet per piece than the average parcel subclass parcel.
- The average DBMC parcel has more cubic feet per piece than the average parcel subclass parcel.
- Worksharing models, after tying to Test Year Cost and Revenue Analysis (CRA) costs, show that the mail processing costs are \$1.00 for intra-BMC parcels and \$0.50 for DBMC parcels if the parcels have the same cubic feet per piece as the average parcel subclass parcel, yielding a worksharing savings of \$0.50.
- Worksharing models, after tying to Test Year CRA costs, show that the mail processing costs for intra-BMC parcels are \$0.90 for average intra-BMC pieces (because more of these parcels fit in the average container

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than do average parcel subclass parcels) and \$0.60 for average DBMC parcels (because fewer of these parcels fit in the average container than do average parcel subclass parcels).

- Parcel rates are set to exactly recover costs, mail processing costs are the only costs incurred by these parcels, and Test Year CRA mail processing costs are \$0.75 on average for parcels.
- The rate for intra-BMC is set at \$1.00 and, using the calculated worksharing savings of \$0.50, the rate for DBMC is set at \$0.50, yielding \$0.75 on average in revenue for parcel subclass parcels.

(a) Confirm that in this example the rate for DBMC parcels will not cover the average cost for DBMC parcels of \$0.60. If not confirmed, explain.

(b) Confirm that in this example, the rate for intra-BMC parcels will cover more than the average cost for intra-BMC parcels of \$0.90. If not confirmed, explain.

(c) Do you believe that it is appropriate in this example for DBMC parcels to not cover their average costs? Explain in detail.

(d) Do you believe it is ever appropriate for DBMC parcels to not recover their average costs? Explain in detail.

(e) Given this example, where would you set the rates for intra-BMC and DBMC parcels?

UPS/USPS-T33-23. Refer to Witness Eggleston's response to UPS/USPS-T25-3(e), and workpapers WP-PP-8, WP-PP-14 and WP-PP-15 from library reference USPS-LR-J-106.

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(a) Confirm that in the Parcel Post rate design an average cubic foot per piece for each weight increment from 1 pound to 70 pounds is derived separately for inter-BMC (Bulk Mail Center), intra-BMC, and Parcel Select parcels. If not confirmed, explain.

(b) Confirm that the separate cubic feet per piece for inter-BMC, intra-BMC, and Parcel Select parcels for each weight increment from 1 to 70 pounds is then multiplied by the transportation cost per cubic foot by rate category to calculate the transportation cost for each rate category by weight and zone. If not confirmed, explain in detail.

(c) Confirm that this means that in the Parcel Post rate design, the difference in transportation costs between the inter-BMC, intra-BMC, and Parcel Select rate categories takes into account the difference in average cubic feet per piece between the rate categories. If not confirmed, explain.

(d) Explain why it is appropriate in the Parcel Post rate design to take into account average cubic feet per piece differences between non-Parcel Select and Parcel Select parcels with respect to transportation costs but not for mail processing costs.

CERTIFICATE OF SERVICE

I hereby certify that on this date I have caused to be served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Rules of Practice.

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Phillip E. Wilson, Jr.

Dated: December 7, 2001  
Philadelphia, PA

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