

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS XIE TO INTERROGATORIES OF UNITED PARCEL SERVICE
(UPS/USPS-T2-4-10)

The United States Postal Service hereby provides the responses of witness Xie to the following interrogatories of United Parcel Service: UPS/USPS-T2-4-10, filed on November 26, 2001. Interrogatories UPS/USPS-T2-1-3 filed on the same day were duplicated in the set hereby being filed. By agreement between counsel, only 4-10 are being answered.

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

Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083 Fax -5402
December 10, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-T2-4. Are there interdependencies among costs for contract highway transportation?

RESPONSE:

There are no interdependencies among costs for contract highway transportation included in Tables 1-4 of my testimony. However, it is my understanding that there are interdependencies among costs for contract highway transportation in the Transportation Model filed in witness Meehan's workpaper, Exhibit 11A.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-T2-5. Has the Postal Service calculated Confidence Intervals for all modes of contract highway transportation together? If so, provide those confidence intervals. If not, why not?

RESPONSE:

The following table shows the 95% confidence intervals for the sum of four highway contract types shown in Tables 1-4 of my testimony.

BY00 Total Highway

Mail Category	CV	Lower 95% C.L. (\$1,000)	Cost (\$1,000)	Upper 95% C.L. (\$1,000)
1C Single-Piece Letters	0.035	274,420	294,423	314,425
1C Presort Letters	0.092	100,601	122,725	144,850
1C Single-Piece Cards	0.132	2,984	4,026	5,068
1C Presort Cards	0.213	1,635	2,810	3,984
Priority Mail	0.046	262,865	288,748	314,632
Express Mail	0.165	10,925	16,155	21,386
Periodicals	0.049	164,707	182,317	199,927
Standard Mail ECR	0.137	31,960	43,667	55,374
Standard Mail Regular	0.067	239,748	275,781	311,813
Parcel Post	0.037	215,471	232,328	249,185
Bound Printed Matter	0.059	51,496	58,240	64,983
Media Mail	0.055	49,030	54,962	60,894
US Postal Service	0.223	1,527	2,713	3,898
Free Mail	0.180	1,943	3,006	4,070
International Mail	0.219	10,844	19,006	27,168
Total			1,600,907	

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-T2-6. Are there interdependencies among costs for any modes of purchased transportation?

RESPONSE:

There are no interdependencies among costs for any modes of purchased transportation included in Tables 1-10 of my testimony. However, it is my understanding that there are interdependencies among costs for certain modes included in the Transportation Model, filed in witness Meehan's workpaper, Exhibit 11A.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-T2-7. Has the Postal Service calculated confidence intervals for the sum of all modes of purchased transportation together? If so, provide those confidence intervals. If not, why not?

RESPONSE:

The following table shows the 95% confidence intervals for the sum of all modes of purchased transportation included in Tables 1-10 of my testimony.

BY00 Total TRACS

Mail Category	CV	Lower 95% C.L. (\$1,000)	Cost (\$1,000)	Upper 95% C.L. (\$1,000)
1C Single-Piece Letters	0.049	467,435	516,741	566,046
1C Presort Letters	0.080	267,137	316,458	365,778
1C Single-Piece Cards	0.774	-	9,636	24,255
1C Presort Cards	1.338	-	4,902	17,753
Priority Mail	0.075	545,395	639,107	732,819
Express Mail	0.321	16,169	43,618	71,067
Periodicals	0.036	270,754	291,523	312,293
Standard Mail ECR	0.118	39,522	51,366	63,210
Standard Mail Regular	0.053	319,940	356,719	393,498
Parcel Post	0.035	241,344	258,946	276,547
Bound Printed Matter	0.054	61,639	68,910	76,182
Media Mail	0.047	62,430	68,795	75,160
US Postal Service	1.557	-	5,450	22,082
Free Mail	2.454	-	4,491	26,089
International Mail	0.142	35,998	49,903	63,809
Total			2,686,565	

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-T2-8. Confirm that total cost for Parcel Post across all transportation modes for FY2000 is \$258,945,000. If not confirmed, provide the correct number.

RESPONSE:

The total cost for Parcel Post across all transportation modes included in Tables 1-10 of my testimony is \$258,945,000 subject to rounding. Also see witness Meehan's workpaper, Exhibit 11A, page 43.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-T2-9. Confirm that adding the upper bound of the confidence intervals for each of the transportation modes yields \$299,409,000. If not confirmed, provide the correct number.

RESPONSE:

Adding the upper bound of the confidence intervals in Tables 1-10 of my testimony yields \$299,409,000.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-T2-10. Do you have any reason to believe that the covariance between distribution key estimates for any of the possible combinations of purchased transportation cost components is anything other than zero? If so, identify each combination and explain why the covariance for that combination is not zero.

RESPONSE:

The covariance between TRACS distribution key estimates of the 10 cost pools included in my testimony is zero. However, it is my understanding that some cost pools in witness Meehan's workpaper 11A are developed using combinations of TRACS distribution keys. Those cost pools are interdependent with TRACS cost pools.

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.

Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083 Fax -5402
December 10, 2001