

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAKIS TO INTERROGATORY OF
UNITED PARCEL SERVICE
(UPS/USPS-T19-5)

The United States Postal Service hereby provides the response of witness Takis to the following interrogatory of United Parcel Service: UPS/USPS-T19-5, filed on December 10, 2001.

The 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:



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990; Fax -5402
December 26, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAKIS
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T19-5. Would the start-up costs for the FedEx transportation contract have been different if the per-unit rate for the transportation service charged by FedEx was different?

UPS/USPS-T19-5 Response: It is not necessarily true that changes in the per-unit rate for transportation services would have changed the amount of the start-up payment.

Please see my response to UPS/USPS-T19-2. In that response, I stated that the amount of the start-up fee was a result of negotiations between FedEx and the Postal Service. Given the complexity of the contract and the myriad of factors at play in the negotiations, it would be impossible to determine in hindsight whether or not a change in any contractual parameter would have changed the amount of the start-up payment.

Furthermore, it is entirely possible that changes in contractual parameters (such as the one posed in this interrogatory as well as those hypothesized in UPS/USPS-T19-2) would have had no effect on the start-up fee. For example, if FedEx needed a \$100 million up-front payment for cash flow purposes and the Postal Service needed to limit the amount of the payment to \$100 million for its own cash flow purposes, the negotiated payment might not have been affected by changes in other contract parameters.

The important issue for the Commission to consider is how changes in volume going forward will affect contractual payments to FedEx going forward. As I noted in my response to UPS/USPS-T19-2, there are a variety of reasons why volume may change throughout the life of the contract. However, in no circumstances will the \$100 million amount of the start-up fee change. Therefore, the \$100 million start-up fee cannot be considered a volume variable cost in the context of the contract.

DECLARATION

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

WMT

Dated: 12/26/01

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.



Susan M. Duchek

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