

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
DOCKET NO. R97-1

**SIXTH SET OF INTERROGATORIES FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS BRADLEY
(UPS/USPS-T14-41 through 46)**

(September 11, 1997)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatories and requests for production of documents directed to United States Postal Service witness Bradley (UPS/USPS-T14-41 through 46).

Respectfully submitted,



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UPS/USPS-T14-41. Please refer to page 2 of 3 of your response to DMA/USPS-T-14-22. You there state: "When volume changes, however, Postal Service wage rates do not respond to those changes in volume. Because wages do not change in response to variations in volume, they are not part of the variation in cost associated with variations in volume."

(a) Please reconcile this statement with the fact that during peak volume periods, Postal Service employees are paid overtime wages to accommodate increases in volume.

(b) Please confirm that your model does not account for overtime wages. If confirmed, please discuss any investigation performed into the bias this omission introduces into your results. If not confirmed, explain.

UPS/USPS-T14-42. Please refer to page 1 of 1 of your response to DMA/USPS-T14-29. You there state:

It is true, of course, that separate slope coefficients could be estimated for each site, but those many estimated coefficients would have to be combined in some way. There is no single correct way to combine these coefficients and the estimation of a single slope coefficient directly brings all of the data to bear on the estimation of the system-wide response to changes in volume.

(a) Given the possibility that site specific slopes may vary, please explain why you chose the model you did as opposed to other possible models.

(b) If slopes vary across facilities, is a less aggregated model preferable to one that combines the slopes of different facilities into a system-wide response?

Please explain.

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(c) If slopes vary across facilities, is it valid to combine the slopes of different facilities into a system-wide response? Please explain.

(d) Please discuss your rationale for a model that allows for only one system-wide response (per activity) to volume variability.

UPS/USPS-T14-43. Please refer to pages 1 and 2 of your response to OCA/USPS-T4-8, redirected from witness Moden. You there state: "The factors determining volume variability may well be the same across facilities of different sizes, although the exact values for those factors will not. In fact, the exact values for the factors will not be identical in facilities of similar sizes." Please confirm that your model does not account for variations in volume variability based on facility size. If confirmed, please discuss why facility size was not taken into account and what consideration, if any, was given to its inclusion. If not confirmed, please identify the portions of testimony and programming that allow elasticities to vary by facility size.

UPS/USPS-T14-44. (a) Please discuss the use of overtime wages to accommodate peak volume periods in MODS, non-MODS, and PIRS facilities versus the use of part time or casual workers.

(b) Please provide: (1) mail processing overtime wages paid, (2) total mail volume, and (3) volume by shape and/or class of mail, by accounting period for FY 1988-1996 (accounting periods 1 through 13).

(c) Please explain how your model of volume variability captures an increase in the average wage rate.

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UPS/USPS-T14-45. Please discuss the direction of the bias in your results due to the impact of the difference between hours and labor cost during peak volume periods resulting from the use of overtime wages as compared to the use of part time or casual workers.


UPS/USPS-T14-46. (a) Did you perform any sensitivity analyses that used total labor cost instead of hours as the dependent variable in your elasticity regressions? If so, please provide the results. If not, please provide the evidence that demonstrates that overtime wages are sufficiently insignificant as to not alter the results.

(b) If no sensitivity analyses were performed on the question of the use of total labor cost as a dependent variable, please explain the basis for your claim that hours is a good proxy for total labor cost.

(c) If it were shown that overtime is a significant contribution to costs and hours is not a good proxy for labor costs, please discuss the impact these factors would have on your results.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with section 12 of the Commission's Rules of Practice.


Stephanie Richman

Dated: September 11, 1997
Philadelphia, PA