

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997


DOCKET NO. R97-1

THIRD SET OF INTERROGATORIES FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS TAKIS
(UPS/USPS-T41-15 through 24)

(September 12, 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 Takis (UPS/USPS-T41-15 through 24).

Respectfully submitted,



John E. McKeever
Albert P. Parker, II
Stephanie Richman
Attorneys for United Parcel Service

SCHNADER HARRISON SEGAL & LEWIS LLP
1600 Market Street, Suite 3600
Philadelphia, Pennsylvania 19103-7286
(215) 751-2200

and

1913 Eye Street, N.W., Suite 600
Washington, D.C. 20006-2106
(202) 463-2900

Of Counsel.

**UNITED PARCEL SERVICE THIRD SET OF INTERROGATORIES
TO UNITED STATES POSTAL SERVICE WITNESS TAKIS**

UPS/USPS-T41-15. Please describe your procedure for generating the piggyback figures. Include the following in your response:

- (a) An explanation of how you assign dependent components to independent components. If you have a table of dependencies, please provide it.
- (b) An explanation of how you distribute a dependent component among several independent cost components.

UPS/USPS-T41-16. Please confirm that you assume that the dependent components have the same cost function as the independent components upon which they depend. If confirmed, please explain the theoretical basis for this assumption. For example, why should it be the case that the cost function for Supervision of Window Service (CS 2.2), has exactly the same functional form as Window Service Clerks (CS 3.2)?

UPS/USPS-T41-17. Please confirm that wherever another Postal Service witness develops variability estimates using a functional form for a cost pool, you use the variability estimate and functional form of that witness in your calculation of incremental cost for that cost pool. If not confirmed, please list all the instances in which another witness used a particular functional form or variability estimate and you did not, and explain why you used a different functional form or variability estimate.

**UNITED PARCEL SERVICE THIRD SET OF INTERROGATORIES
TO UNITED STATES POSTAL SERVICE WITNESS TAKIS**

UPS/USPS-T41-18. Please refer to Section II-9 of your workpapers, at equation 12 and its explanatory text.

- (a) Please confirm that wherever another Postal Service witness provides a variability estimate but not a functional form, you assume the constant elasticity functional form $C = D^\beta$.
- (b) Please confirm that the assumption of constant elasticity is also the assumption of a functional form.
- (c) Please explain why this particular functional form is appropriate.

UPS/USPS-T41-19. Please confirm that all of the costs you use as inputs are developed by other witnesses in their testimony and work papers. If not confirmed, please explain which cost data you developed.

UPS/USPS-T41-20. Please confirm that you did not develop any of the variabilities yourself. If not confirmed, please explain which variabilities you developed.

UPS/USPS-T41-21. Please provide a mathematical derivation of the relationship for Inter-SCF highway marginal cost depicted in the diagram at the top of page 23 of your testimony.

- (a) In reference to this example for a cost component with estimated variability of approximately 65.74 percent, please reconcile the statement at page 22 of your testimony that, "a deviation of 25 percent below the mean raises the marginal cost by only approximately 3 percent," with your statement at page 24 that, "a volume variability of 65 percent implies that removal of 10 percent of the driver increases marginal cost by only 3.5 percent."

**UNITED PARCEL SERVICE FOURTH SET OF INTERROGATORIES
TO UNITED STATES POSTAL SERVICE WITNESS TAKIS**

- (b) What is your estimate of the impact on the marginal cost of inter-SCF highway transportation of a 10 percent reduction in cubic foot miles? Please explain your estimate in detail, including the appropriateness of measuring variabilities and marginal costs points distinct from the mean values of the observations.

UPS/USPS-T41-22. In reference to your testimony at page 8, please document the Postal Service's operating plan for purchased highway transportation in terms of procedures, policies, instructions, manuals, and all other management guidance applied in establishing routes, vehicle capacities, trips and trip frequencies, and other operating procedures used in management of this function.


UPS/USPS-T41-23. (a) Please list all Postal Rate Commission decisions which you read, either in whole or in part, before you prepared your testimony.

(b) In those instances where you have read only part of a Commission decision, please identify those portions of each such decision which you read before you prepared your testimony.

UPS/USPS-T41-24. Identify all sections of the Postal Reorganization Act which you read in connection with the preparation of your testimony.

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.


Albert P. Parker, II

Dated: September 12, 1997
Philadelphia, PA