

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

SECOND SET OF INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS TAYMAN
(UPS/USPS-T9-2 through 6)

(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 Tayman (UPS/USPS-T9-2 through 6).

Respectfully submitted,



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Of Counsel.

**INTERROGATORIES OF UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS TAYMAN**

UPS/USPS-T9-2. Please refer to your testimony at page 9, lines 11 through 22. What are the “expenditures critical to the future viability of the Postal Service” to which you refer on line 19?

UPS/USPS-T9-3. Please refer to your discussion of the contingency allowance, at page 38, lines 5 through 20, of your testimony.

(a) Please confirm that the Postal Service’s proposed provision for contingencies (\$606.6 million TYAR) was not developed on the basis of a variance analysis or any other analysis of historical cost and revenue statistics. If not confirmed, please explain.

(b) Please confirm that the proposed amount of the contingency allowance was determined by the management of the Postal Service and the decision to request a one percent allowance was driven by a desire that the overall rate increase should be less than the rate of general inflation since the last omnibus rate case. Please explain your answer.

(c) Please explain your statement on lines 14 and 15 that you believe that a one percent contingency allowance is reasonable “in this case.” How does this case differ from other cases so that a one percent contingency allowance is appropriate?

(d) You state that your one percent contingency allowance request does not represent a change in Postal Service policy and that a return to higher levels

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of the contingency allowance may be necessary in the future. What future circumstances or considerations might lead the Postal Service to propose in the future a larger allowance for unforeseen events and forecasting errors?

USP/USPS-T9-4. Please refer to the discussion of the contingency allowance on page 39 of your testimony. You argue that regardless of what history shows, the judgment of Postal Service management as to the size of the contingency allowance should be respected and should prevail.

(a) Please describe the process by which Postal Service management reached its judgment about the appropriate size of the contingency allowance proposed in this proceeding.

(b) Please describe and list with specificity the analyses and data on which Postal Service management based its judgment.

UPS/USPS-T9-5. Please refer to page 40 of your testimony and define “unduly” as used on line 12.

UPS/USPS-T9-6. Please refer to Table 1 on page 3 of your testimony, which shows losses in all years but one from FY 1987 through FY 1994.

(a) Do you agree that in some or all of the years in which the Postal Service suffered a loss, some subclasses of mail contributed disproportionately to the loss because the revenues of the subclass did not recover a substantial part of the attributable and non-attributable costs assigned to the subclasses while, at the same

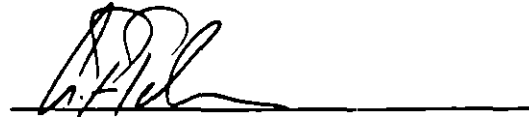
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time, some subclasses were less of a loss-generation problem because they recovered more of the costs assigned them and some subclasses may have produced a "profit"? If no, please explain.

(b) Please confirm that subclasses with a large mark-up are less likely to contribute to the Postal Service's loss and equity attrition problem than subclasses with a small mark-up. If not confirmed, please explain.

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

Dated: September 12, 1997
Philadelphia, Pa.