

BEFORE THE  
POSTAL RATE COMMISSION

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POSTAL RATE AND FEE CHANGES, 1997

DOCKET NO. R97-1

**THIRD SET OF INTERROGATORIES FROM UNITED PARCEL SERVICE  
TO UNITED STATES POSTAL SERVICE WITNESS BARON  
(UPS/USPS-T17-9 through 15)**

(September 17, 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 Baron (UPS/USPS-T17-9 through 15).

Respectfully submitted,



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Of Counsel.

**THIRD SET OF INTERROGATORIES FROM UNITED PARCEL SERVICE  
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**UPS/USPS-T17-9.** Please refer to your testimony at pages 34 to 36, and

confirm that:

- (a) Your residual load-time cost after deleting fixed-time costs (Table 4) and volume-variable costs (Table 5) for SDR stops is  $\$856,443,000 - \$522,577,000 = \$333,866,000$ ;
- (b) The residual costs computed in (a) vary with volume and therefore do not conform to your criterion of "fixed" time as you define it for accrued coverage-related load-time cost at page 35, lines 18 to 21 of your testimony;
- (c) Accordingly, your hypothetical demonstrates that the previous approach is "flawed" (page 34, line 18 of your testimony) to the extent that it ascribes the notion of "fixed" time (or cost) with respect to the residual  $\$388,211,000$  in Table 8, in contrast to identifying these costs as "residual institutional" costs, but it does not prove that any of these costs are in fact "fixed" with respect to volume.

**UPS/USPS-T17-10.** Please refer to the calculation of load time

elasticities as described at pages 2 and 3 of LR-H-137, and confirm the following:

- (a) Point estimates for predicted load time, as determined by substituting the 1996 CCS averages for the corresponding independent variables in the regression equation, include fixed time at stop;
- (b) The elasticities derived for these data in LOAD2.ELAST.CNTL are evaluated at the mean values, including fixed time at stop for the dependent variable load time;
- (c) If your estimates of fixed time per stop are deducted from the point estimates for predicted load time, then the resulting elasticity estimates are increased.

Please explain any nonconfirmation of the above, and include an explanation of why you included fixed-time per stop in your elasticity calculations.

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**UPS/USPS-T17-11.** Please refer to your regression analysis of SDR load time at page 57 of LR-H-137, and confirm the following:

- (a) The sum of the parameter estimates for LD (0.6325055 seconds) and LDS (0.0069554 seconds) represents the estimated variable load time to deliver a single letter at a single letter stop;
- (b) your estimate of 1.052 seconds fixed time at stop includes the time to deliver a single letter.

Please explain any nonconfirmation, including of why the difference (0.412539 seconds) does not represent the fixed time at stop prior to loading any mail.

**UPS/USPS-T17-12.** Please refer to your regression analysis of SDR load time at page 57 of LR-H-137, and confirm the following:

- (a) the sum of the following parameter estimates represent the estimated variable load time in seconds to deliver a single piece of mail at a single piece stop:

<u>Category</u>	<u>Volume Coefficient</u>	<u>Volume-Squared Coefficient</u>	<u>Sum (= variable Load time)</u>
Letters	0.6325055	0.0069554	0.6394609
Flats	1.4789208	-	1.4789208
Parcels	12.2500025	-1.8524356	10.3975669
Accountables	47.9910158	-	47.9910158
Collections	1.1830019	-0.0150421	1.1679598

- (b) if your estimates are deducted from the single-piece delivery load time observations for the respective categories, then the resulting estimate of the mean fixed time at stop prior to loading any mail for the lowest 20th percentile of the SDR tests is -0.037 seconds.

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Please explain any nonconfirmation, including an explanation of why this estimate does not represent the fixed time per stop prior to loading any mail at SDR stops.

**UPS/USPS-T17-13.** Please refer to your response to UPS/USPS-T17-

8(a), and confirm the following:

- (a) Your elasticities are computed based on FY1996 CCS data which are different from the 1985 test data that was the basis for the underlying regression equations;
- (b) Accordingly, your elasticities are not computed at the sample mean values of the right-hand side variables as presented by the Postal Rate Commission in Docket No. R87-1, Appendices to Opinion and Recommended Decision, Appendix J, pages 26-27.

**UPS/USPS-T17-14.** Please refer to your response to UPS/USPS-T17-8,

and confirm the following:

- (a) The volume elasticities, as calculated using equation (1) at page 7 of your testimony, are higher when the mean volumes used to calculate the elasticities are increased by 1%;
- (b) The use of a higher elasticity estimate in your illustration at page 35, lines 8, 9, and 13 of your testimony, would reduce, if not eliminate, any increase in accrued coverage-related load time cost;
- (c) That if an elasticity of .612373721, rather than an elasticity of .61, is used in computing volume - variable load-time cost after volumes are increased by 1 percent in your illustration on page 35 of your testimony, then there would be no resulting increase in coverage-related load time;
- (d) Please confirm that the results of your illustration on page 35 of your testimony form the only basis in your testimony to conclude that the traditional calculation of coverage-related load time is flawed. If not confirmed, please explain.

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**UPS/USPS-T17-15.** In reference to the hypothetical illustration at pages 34 to 36 of your testimony, please confirm that given the specification of equation (1), the residual will always increase as volume increases unless the elasticities are calculated at the higher values.

**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.

  
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Albert P. Parker, II

Dated: September 17, 1997  
Philadelphia, PA