

BEFORE THE  
POSTAL RATE COMMISSION RECEIVED

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POSTAL RATE AND FEE CHANGES, 1997

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

**FIFTH SET OF INTERROGATORIES FROM UNITED PARCEL SERVICE  
TO UNITED STATES POSTAL SERVICE WITNESS TAKIS  
(UPS/USPS-T41-26 through 36)**

(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 Takis (UPS/USPS-T41-26 through 36).

Respectfully submitted,



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Of Counsel.

**INTERROGATORIES OF UNITED PARCEL SERVICE  
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**UPS/USPS-T41-26.** Please confirm that the spreadsheets in your workpapers (Library Reference H-170) do not contain the formulas used to calculate the numbers stated in the spreadsheet. If you confirm, please provide, in electronic form, the precise and specific formulas used to calculate the numbers stored in the spreadsheets. If not confirmed, please explain where in the spreadsheet the specific formulas used to calculate the numbers in the spreadsheets are contained.

**UPS/USPS-T41-27.** In your response to UPS/USPS-T41-5, you identified various specific fixed costs. Do you agree that the totals of all fixed costs for Express Mail, Priority Mail, and Parcel Post are \$208,286,000, \$249,360,000, and \$22,000, respectively. If you do not agree, please explain.

**UPS/USPS-T41-28.** Please refer to Library Reference H-1, "Summary Description of USPS Development of Costs by Segments and Components," and to your response to UPS/USPS-T41-5.

(a) Are you aware of any other costs that should be considered to be "specific fixed costs," in addition to those listed in Library Reference H-1, under the Postal Service's traditional definition of "specific fixed costs"?

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(b) Please confirm that, in addition to the specific fixed costs identified in Library Reference H-1 and in your answer to (a) above, your response to UPS/USPS-T41-5 identified certain additional costs that you have designated "specific fixed costs" because the costs you have identified are "product specific costs."

(c) If "product specific costs" is not the correct designation for the costs that are labeled "specific fixed costs" in your response to UPS/USPS-T41-5, please provide the designation for these costs and define with specificity this term.

(d) Please define with specificity "product specific costs" as you use that term in your response to UPS/USPS-T41-5.

(e) Please confirm that you believe that "product specific costs," shown in your answer to UPS/USPS-T41-5, are economically and functionally the same as "specific fixed costs." (See (b), (c), and (d) above.) If not confirmed, please explain.

(f) Please confirm that the total costs shown in your response to UPS/USPS-T41-5, which you designated "specific fixed costs," should be treated the way the Postal Rate Commission has treated "specific fixed costs" in past proceedings. If not confirmed, please explain.

**UPS/USPS-T41-29.** The first column of the table below reproduces Cost Segment categories used in LR-H-1. Please confirm that, using your response to UPS/USPS-T41-5, it is correct to classify specific fixed costs by subclass and Cost

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Segment category as shown in the table below. If not confirmed, please explain.

CS	Category	Subclass	Specific Fixed Costs (Thousands)
3.1	Clerks and Mail Handlers	Express	10,669
16	Computer Tracking & Tracing	Express	12,306
16	Computer Tracking & Tracing	Parcel	22
16	Computer Tracking & Tracing	International	1,760
16	Advertising	Letters	184
16	Advertising	Cards	10
16	Advertising	Priority	50,704
16	Advertising	Commercial Regular	763
16	Advertising	Commercial OCR	739
16	Advertising	International	13,776
18	Money Orders	Money Orders	3,163
TOTAL			165,516

**UPS/USPS-T41-30.** Please refer to pages II-17, II-18, and IV.A 202 of your workpapers, and to your response to UPS/USPS-T41-5. Please confirm that the six cost pools listed below in Cost Segment 7 are specific fixed costs. If not confirmed, please explain and provide a corrected table.

CS	Category	Subclass	Specific Fixed Costs
7	Letter Stop EM Box	Express	3,501
7	Stop EM Box SPR	Express	1,153
7	Drive EM Box SPR	Express	790
7	Drop / PU EM Facility SPR	Express	3,597
7	Drop / PU EM Facility MLR	Express	400
7	EM Collection Box MLR	Express	262
TOTAL			9,703

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**UPS/USPS-T41-31.** Please refer to page IV.A 202 of your workpapers and to your response to UPS/USPS-T41-5.

(a) Please confirm that the Express Specific Fixed cost pool in C/S 9 is a specific fixed cost. If not confirmed, please explain.

(b) On page IV.A 202 of your workpaper, you show \$8,577,000 as the specific fixed cost for C/S 9 Express Specific Fixed. However, in your response to UPS/USPS-T41-5, you state that \$8,528,000 is the specific fixed cost for C/S 9 Express Specific Fixed. Please confirm that \$8,528,000 is the correct figure. If not confirmed, please provide the correct figure.

**UPS/USPS-T41-32.** Please refer to page IV.A 202 of your workpapers and to your response to UPS/USPS-T41-5. Please confirm that the portions of Cost Segment 14 shown below are specific fixed costs. If not confirmed, please explain and provide a corrected table.

CS	Category	Subclass	Specific Fixed Costs
14	Network	Express	107,196
14	Western Air	Express	14,436
14	Xmas Network	Priority	64,236
TOTAL			185,868

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**UPS/USPS-T41-33.** Please confirm that, according to your response to UPS/USPS-T41-5, portions of Cost Segment 3.1 shown below are specific fixed costs. If not confirmed, please explain and provide a corrected table.

CS	Category	Subclass	Specific Fixed Costs
3.1	Express	Express	43,686
3.1	LDC 48 Express	Express	1,762
3.1	Priority	Priority	122,827
3.1	SPBS Priority	Priority	11,593
TOTAL			179,868

**UPS/USPS-T41-34.** Please refer to your response to UPS/USPS-T41-5. The last sentence of the response says: “[n]ote that these costs do not include piggyback factors.”

- (a) Please list the applicable missing piggyback factors.
- (b) Please provide three new tables comparable to the three tables provided in your response to UPS/USPS-T41-5, but with the numbers shown there increased to reflect the effect of the applicable piggyback factors.

**UPS/USPS-T41-35.** Please provide the piece volumes of mail moving through the Eagle Network during the base year separately for (a) First Class Mail, (b) Express Mail, and (c) Priority Mail.

**UPS/USPS-T41-36.** Please refer to Attachment 1, which relates to the Postal Service program known as “the Hub and Spoke Project (HASP).” The

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attachment suggests that HASP is designed to serve First Class Mail and Priority Mail only.

(a) If it is the case that HASP serves only First Class Mail and Priority Mail, are the costs incurred in connection with HASP incremental costs for a group of products that consists of First Class Mail and Priority Mail?

(b) Were you aware of HASP at any point before you filed your testimony?

(c) Are costs incurred in connection with HASP part of the incremental costs of First Class Mail and Priority Mail as identified in your testimony? If so, please provide, separately for First Class Mail and for Priority Mail, how much of the incremental costs for those classes as identified in your testimony are HASP costs.

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# memo to mailers

September 1997

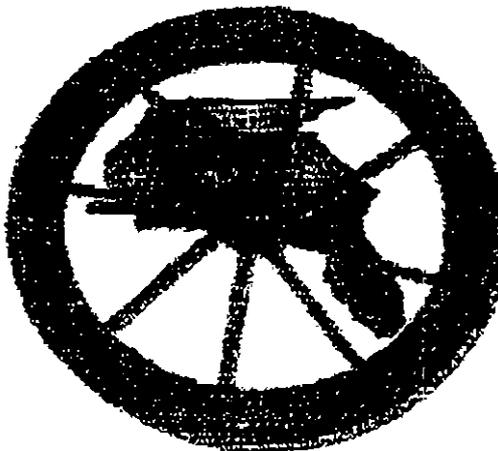
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## USPS opens another HASP; expects to save \$10 million

**T**he USPS has opened a new mail facility in Clinton, TN, that is expected to save about \$10 million annually in transportation costs. Clinton is located 12 miles north of Knoxville.

The facility is part of the Hub and Spoke Project (HASP) designed to centralize mail transfer locations by grouping ZIP Code ranges from mail bearing two- and three-day delivery commitments that is trucked from any of 91 cities in the eastern U.S. The mail will be sorted into First-Class Mail and Priority Mail containers and delivered nonstop to its final area distribution center.

A HASP facility concentrates the volume of mail transported to a particular destination, resulting in more effective utilization of transportation and improved service. The first national HASP opened in August 1996 in Indianapolis and a second off the Capitol Beltway in Washington, DC. Other HASPs, which have been in existence for a few years as regional facilities include Binghamton, NY; Bronx, NY; Harrisburg, PA; Carteret, NJ, and Worcester, MA. They are being incorporated into the national HASP network.

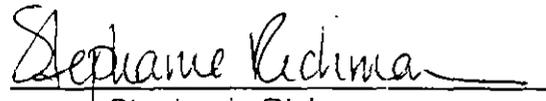


In addition to providing a consistent departure and arrival profile between origin-destination pairs, use of surface transportation contributes to a reduction of congestion at air transfer hubs; and surface transportation is generally less costly.

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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 17, 1997  
Philadelphia, Pa.