

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRADLEY
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(UPS/USPS-T13-31-34)

The United States Postal Service hereby provides responses of witness
Bradley to the following interrogatories of United Parcel Service:

UPS/USPS-T13-31-34, filed on September 5, 1997.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Susan M. Duchek

475 L'Enfant Plaza West, S.W.
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(202) 268-2990; Fax -5402
September 19, 1997

Response of United States Postal Service Witness Bradley
to
Interrogatories of United Parcel Service

UPS/USPS-T13-31. Please confirm that the objective of your econometric analysis is to determine the volume variability relationship between the total cost of each identified component of purchased highway transportation accrued cost (e.g., Intra-City contracts), and the indicated cost driver (e.g., cubic foot miles). Please explain any nonconfirmation, including any additional assumptions required for the results indicated.

UPS/USPS-T13-31 Response:

Confirmed.

Response of United States Postal Service Witness Bradley
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UPS/USPS-T13-32. Please confirm that your volume variability analysis seeks to determine the volume variable costs of a fixed bundle of services whose proportions stay the same as total volume increases. Please explain any nonconfirmation, including any additional assumptions required for the results indicated.

UPS/USPS-T13-32 Response:

Not confirmed. There is no requirement in my volume variability analysis that specific mail classes on the trucks stay in fixed proportions as volume grows.

Response of United States Postal Service Witness Bradley
to
Interrogatories of United Parcel Service

UPS/USPS-T13-33. Please confirm that it is appropriate to use cubic foot miles as the distribution key for specific categories of purchased highway transportation costs provided that cubic foot miles vary in proportion to mail volume for each class of service. Please explain any nonconfirmation, including any additional assumptions required for the results indicated.

UPS/USPS-T13-33 Response:

Not confirmed. It is appropriate to use the product-specific proportions of cubic foot-miles when it is not possible or practical to econometrically estimate the elasticity of cubic foot-miles with respect to volume and when the product-specific proportions are thought to be good estimates of those elasticities. Moreover, please recognize that the proportionality assumption applies to small changes in volume, it does not apply to changes in volume through time. That is, the use of the product specific proportions of cubic foot-miles requires that those proportions represent the true proportions of the cost driver caused by each class at a single point in time.

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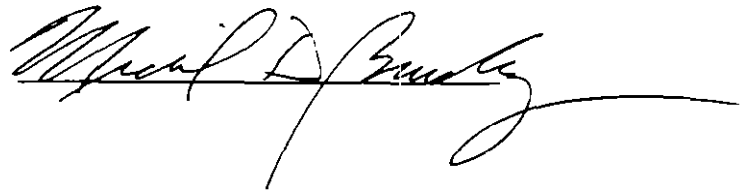
UPS/USPS-T13-34. Please confirm that if cubic foot miles do not vary in proportion to mail volume for a given class of service, it is appropriate to multiply the cubic foot mile cost elasticity from your analysis by the elasticity of cubic foot miles with respect to mail volume in determining volume variable costs for that class of service. Please explain any nonconfirmation, including any additional assumptions required for the results indicated.

UPS/USPS-T13-34 Response:

Not confirmed. It is always appropriate to multiply the cost driver elasticity by the elasticity of cubic foot-miles with respect to volume, whether cubic foot-miles vary in proportion to mail volume or not. In cases in which that elasticity cannot be accurately estimated or when the elasticity is thought to be proportional, the use of the product-specific proportions of the cost driver (cubic foot-mile) is appropriate.

DECLARATION

I, Michael D. Bradley, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Michael D. Bradley", with a long horizontal flourish extending to the right.

Dated: Sept. 19, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Susan M. Duchek

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