

**BEFORE THE
POSTAL RATE COMMISSION**

POSTAL RATE AND FEE CHANGES, 2006

DOCKET NO. R2006-1

**INTERROGATORIES OF UNITED PARCEL SERVICE TO
UNITED STATES POSTAL SERVICE WITNESS BOZZO
(UPS/USPS-T12-30 through 46)
(July 14, 2006)**

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby files the following interrogatories directed to United States Postal Service witness

Bozzo: UPS/USPS-T12-30 through 46.

Respectfully submitted,

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UPS/USPS-T12-30. Refer to USPS-T-12, section VII.F, "Alternative Capital Series," pages 100-104.

(a) In Table 27 on page 101 you show that the number of records where using the alternative capital variable results in cases where hours>0 & and Capital=0 are reduced. Explain in detail how the use of the alternative capital measure changes the values of capital measure for the records with non-zero capital measures using the original specification.

(b) Explain in detail why you continue to use for your recommended variabilities the original specification if it produces more cases of mismatches between capital and hours.

UPS/USPS-T12-31. Refer to USPS-LR-L-56, section IV, "Data and Programs Pertaining to Roberts Model Update and Related Analysis," page 40.

(a) Explain in detail your understanding of why Roberts did not perform his analysis on parcels?

(b) Do the data provided in section IV permit estimating Roberts model for parcels?

(c) If the answer to (b) is no, provide any additional data elements that would be required to extend the Roberts (2006) analysis to parcels.

(d) Have you performed any analysis on parcels using Roberts methodology or some update to Roberts methodology?

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(e) If your response to (d) above is affirmative, provide the estimated variabilities resulting from such an analysis.

UPS/USPS-T12-32. Explain why the following MODS activities are not logged by any facility based on the data in the USPS-LR-L-56 dataset

Section1\Data\vv9905.xls:

- (a) 19 (Metered); and
- (b) 36 (Total Metered and Cancellations).

UPS/USPS-T12-33. Refer to USPS-LR-L-56, file Section1\Programs\BY2005 Programs\varmp_tpf_OTHAUTO_by2005.out, lines 95-104, where you have the comment "Sets TPF = TPH if TPH>TPF, Then replaces the TPH variable with TPF." Explain in detail why you replace TPH with TPF.

UPS/USPS-T12-34. Refer to all tsp programs provided in USPS-LR-L-56, folders Section1\Programs\BY2005 Programs and Section1\Programs\Alternative Runs.

- (a) Provide the rationale behind coming up with the numbers that determine implausibly low and high productivities for different cost pools. As a specific case, see varmp_tpf_OTHAUTO_by2005, lines 77-82: high04=15, low04=0.5 for OCR; high06=2, low06=0.15 for FSM1000; and high34=0.725, low34=0.05 for Total SPBS/LIPS.

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(b) Have you checked the sensitivity of your results to different selection criteria?

UPS/USPS-T12-35. Refer to USPS-LR-L-56, section I.A.3., "Definition of analysis variables and elasticity functions," pages 5-7, which describes your calculation of elasticities.

(a) Do your calculations take into account the significance of the coefficients produced from estimation equations before the coefficients are utilized in elasticity calculations?

(b) If your answer to (a) is yes, explain in detail how this is done, including an explication of the method used and any code used to perform the calculation.

(c) Have you computed confidence intervals around these estimated variabilities?

(d) If your answer to (c) is yes, explain in detail how this is done, including an explication of the method used and any code used to perform the calculation.

UPS/USPS-T12-36. Refer to USPS-T-12, section V.C.1., "Delivery Network Data – AIS, ALMS," pages 57-58. For converting monthly delivery network data (AIS, ALMS) to quarterly data, the month closest to the end of the quarter is employed to represent the postal quarter. Why is this preferred over averaging out the three months that makes up a quarter? Explain your reasoning in detail.

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UPS/USPS-T12-37. Refer to USPS-T-12, section I.V.D., “Estimating Equation Specifications,” page 52, where you define your variable WAGE as “the Relative wage for the LDC associated with cost pool i versus the LDC 14 wage, for site n , and time t ” for D/BCS Incoming, D/BCS Outgoing, FSM 1000, OCR, and SPBS cost pools. Refer also to TSP output file “varmp_tpf_OTHAUTO_by2005.out”, line 73, where you define the relative wage for cost pool 34 (Total SPBS/LIPS) relative to LDC 17 wage. Explain in detail.

UPS/USPS-T12-38. A number of sites in the dataset Section1\Data\vv9905.xls from USPS-LR-L-56 seem to have an intermittent presence of various MODS operations. For example, site # 3 has an intermittent presence of SPBS & LIPS Priority (MODS group 10) and of Priority (MODS group 14); and site # 27 has an intermittent presence of Manual Letters (MODS group 12) and of Priority (MODS group 14). Explain in detail why various MODS operations appear only intermittently throughout the dataset.

UPS/USPS-T12-39. The following sites in the dataset Section1\Data\vv9905.xls from USPS-LR-L-56 have no piece handlings in any of the MODS operations at the start of the 28 periods, but appear with positive piece handlings elsewhere in the dataset: Sites 18, 41, 44, 177, 315, 324-329, 331-347, and 352-368. For each of these sites, explain in detail whether: (a) the site is a new site which came into existence during the time period sampled; (b) the site did not report data into the MODS system; or (c) there is some other

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explanation for the zero piece handlings across all MODS groups at the start of the sample. If your answer for any site is (c), explain in detail.

UPS/USPS-T12-40. The following sites in the estimation dataset Section1\Data\vv9905.xls from USPS-LR-L-56 have no piece handlings in any of the MODS operations at the end of the 28 periods: Sites 13, 14, 18, 27, 33, 34, 41, 44, 54, 56, 57, 117, 160, 177, 324, 327, 349, 350, 351, 356, 357, 364, 365, and 368. For each of these sites, explain in detail whether (a) the site closed down its operations; (b) the site did not report data into the MODS system; or (c) there is some other explanation for the zero piece handlings across all MODS groups at the end of the sample. If your answer for any site is (c), explain in detail.

UPS/USPS-T12-41. Refer to USPS-T-12, pages 70-73, Tables 10-13 and USPS-LR-L-56, Section1\Data\vv9905.xls. Identify the records of Section1\Data\vv9905.xls used for the analyses presented in each of the tables by IDNUM and quarter.

UPS/USPS-T12-42. Refer to USPS-LR-L-56, dataset Section1\Data\vv9905.xls, where site # 40 has only 0.2 FHP in the 1st quarter of 2003 for Total FSM (MODS group 33) and no other recorded activity for that MODS group in the 28 periods in the dataset. Explain in detail.

UPS/USPS-T12-43. Refer to USPS-LR-L-56, dataset Section1\Data\vv9905.xls, where site # 324 and site # 327 have recorded activity

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(i.e., HRS, TPH, TPF, or FHP) between the 3rd quarter of 1999 and 1st quarter of 2000, and between the 1st quarter of 2000 and the 3rd quarter of 2003 respectively, with no other recorded activity for the 28 periods in the dataset.

Explain in detail.

UPS/USPS-T12-44. Refer to USPS-LR-L-56, dataset

Section1\Data\wv9905.xls, where site # 356 has only 1 FHP in the 4th quarter of 2001 for AFSM 100 and AFSM INCOMING (MODS group 39 and 93 respectively) and only 8 HRS in the 3rd quarter of 2003 for MPBCS and MPBCS OUTGOING (MODS group 1 and 72 respectively), and no other recorded activity for those MODS groups in the 28 periods in the dataset. Explain in detail.

UPS/USPS-T12-45. Refer to USPS-T-12, page 52, lines 14-15.

(a) Explain in detail why you employ relative wages rather than using the operation specific LDC wages.

(b) Explain in detail how your WAGE variable accounts for differences in cost over time due to inflation.

UPS/USPS-T12-46. Refer to USPS-T-12, page 54, line 14-15, where you state that “the estimation procedure does not adjust for serially correlated errors.” Explain in detail any potential consequences of not adjusting for serially correlated errors in your analysis.