

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

RECEIVED

MAR 21 2 20 PM '00

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

**NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
UNITED STATES POSTAL SERVICE WITNESS  
DAVID R. FRONK (NAA/USPS-T33-1-5)  
March 21, 2000**

The Newspaper Association of America hereby submits the attached interrogatories to United States Postal Service witness David R. Fronk (NAA/USPS-T33-1-5) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

By:



William B. Baker  
E. Joseph Knoll III  
Isaac R. Campbell  
WILEY, REIN & FIELDING  
1776 K Street, N.W.  
Washington, DC 20006-2304  
(202) 719-7255

Robert J. Brinkmann  
NEWSPAPER ASSOCIATION OF AMERICA  
529 14th Street, N.W.  
Suite 440  
Washington, D.C.  
(202) 638-4792

**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the instant document on all participants requesting such service in this proceeding in accordance with section 12 of the Rules of Practice.

March 21, 2000



William B. Baker

NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
UNITED STATES POSTAL SERVICE WITNESS  
DAVID R. FRONK (NAA/USPS-T33-1-5)

NAA/USPS-T33-1. Please refer to your direct testimony, USPS-T-33, page 24,

lines 1-13. There you state:

As noted by witness Daniel (USPS-T-28) there is difficulty in measuring additional ounce costs with the highest degree of precision on a weight-step-by-weight-step basis. Nevertheless, the weight study does provide a basis for evaluating, in the aggregate, the alignment between the additional ounce rate and the overall costs it is designed to recover.

Please also refer to page 25, lines 11-14:

The cost data compiled by Witness Daniel also show that the first additional ounce of single-piece mail adds 22.4 cents to unit costs (USPS-T-28 at Table 1), while the first additional ounce of presort mail adds 17.7 cents to cost (*id.* at Table 2). In general, subsequent additional ounces add less to costs than the first additional ounce for both single-piece and presort mail.

- a. Does the second quoted passage represent an example of a “weight-step-by-weight-step” comparison as described by your first quoted passage?
- b. If not, please explain why not.

NAA/USPS-T33-2. Please refer to your direct testimony, USPS-T-33, page 25,

lines 16-21:

In addition, while the first additional-ounce costs less for presort mail than for single-piece mail, these costs catch up for heavier pieces. This cost behavior argues against a lower additional-ounce rate for presort, since the lower rate would steadily increase the presort discount as the weight of the piece increased, even though the weight study data indicate that the cost difference does not continue to increase for heavier pieces.

- a. Does this comparison represent an example of a weight-step-by-weight step comparison discussed at page 24, lines 7-13?
- b. If not, please explain why not.

NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
UNITED STATES POSTAL SERVICE WITNESS  
DAVID R. FRONK (NAA/USPS-T33-1-5)

NAA/USPS-T33-3. Please refer to your direct testimony at USPS-T-33, page 24, lines 5-6, where you cite the testimony of Witness Daniel (USPS-T-28) as the basis for your rate design proposals for the additional ounce rate for single piece and presort mail. Witness Daniel in turn cites data from LR-I-91 through LR-I-102 for the creation of Tables 1 and 2 (Revised 3/1/00). Please also refer to LR-I-91, Section 1, page 11 of 34, which appears to be a regression with "single piece [first class] all shapes test year unit costs" as the dependent variable and "detailed (1/2 ounce) weight increment" as the independent variable.

- a. Do you consider this regression to be a reliable measure of the effect of weight on unit costs?
- b. Please provide all measures of reliability on which you base your answer to (a).
- c. Do you consider any other regressions of unit costs on weight for single piece first class to be reliable?
- d. If so, please explain fully the basis for your answer.

NAA/USPS-T33-4. Please refer to LR-I-91, Section 2, page 10 of 30 which appears to be a regression of "Presort [first class] all shapes test year unit costs" as the dependent variable and "detailed (1/2 ounce) weight increment" as the independent variable.

- a. Do you consider this regression to be a reliable measure of the effect of weight on unit costs?

NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
UNITED STATES POSTAL SERVICE WITNESS  
DAVID R. FRONK (NAA/USPS-T33-1-5)

- b. Please provide all measures of reliability on which you base your answer to (a).
- c. Do you consider any other regressions of unit costs on weight for presort first class to be reliable?
- d. If so, please explain fully the basis for your answer.

NAA/USPS-T33-5. Please refer to your direct testimony USPS-T-33, page 24,

lines 1-3:

Several considerations went into developing the proposed 23-cent rate, including achievement of the revenue requirement and the First-Class Mail cost coverage provided by Witness Mayes.

Please also refer to the response of NAA/USPS-T32-18 propounded to Witness Mayes.

She was asked in part:

What role did the one cent increase in the first and additional ounce rates play in your selection of the cost coverage for First Class Mail?

Her answer in part reads:

My testimony does not state that the cost coverage "results" in a one-cent increase in the first or additional ounce rates. . . . I would not characterize the direction of causality the way that your question has.

- a. Do you perceive any discrepancy between her characterization of the cause and effect and your own?
- b. If not, please fully explain why not.

NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
UNITED STATES POSTAL SERVICE WITNESS  
DAVID R. FRONK (NAA/USPS-T33-1-5)

NAA/USPS-T33-6. Please refer to page 24, line 4, of your testimony, where you state that the Postal Service "considers it important to develop an additional ounce rate that reflects the underlying costs the rate is designed to recover." Please define the word "reflects" as you use it in the quoted passage.

NAA/USPS-T33-7. Did you take into consideration the rate design proposals for subclasses of mail in other classes which may serve as substitutes for First Class Mail? If so, please identify the particular subclasses and rate design proposals you considered, and what effect those proposals had on your rate proposals.

NAA/USPS-T33-8. Please refer to page 25 lines 6-15, of your testimony, where you discuss the markup for the additional ounce rate in terms of witness Daniel's cost data. Please provide the average markup and unit contribution, for each ounce increment, for:

- a. Presorted (non-automation) First Class letters and
- b. Automation First Class letters.