

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
THE ASSOCIATION OF AMERICAN PUBLISHERS
(AAP/USPS-1 - 2)

The United States Postal Service hereby provides the response to the following interrogatories of the Association of American Publishers: AAP/USPS-1 - 2, filed on April 3, 2000.

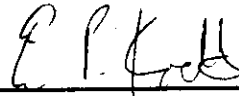
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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April 17, 2000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF ASSOC. OF AMERICAN PUBLISHERS**

AAP/USPS-1. In AAP/USPS-T15-1 Response, Witness Bozzo states he has no knowledge whether any other Postal Service witness in this case has addressed the issue of cost minimization. Please confirm if any USPS witness in this case has analyzed or addressed whether the Postal Service's actual plans and procedures are cost minimizing. Please provide the names of any witnesses who have addressed this issue. *Additionally, please provide a cited passage in the testimony where this issue is addressed.*

RESPONSE:

No postal witness in this case has attempted to analyze whether the Postal Service's operating plan is actually cost minimizing. As Prof. Panzar stated in his direct testimony in Docket No. R97-1:

However, the efficiency of the Postal Service operating plan is not an issue for the analyst. As long as it is given that postal services will be produced following Postal Service practices and procedures, the relevant marginal and incremental costs for pricing purposes are those calculated based on the Postal Service operating plan.

USPS-T-11 (Docket No. R97-1) at 17 (emphasis in original). The same basic point is made in the article "On Setting Prices and Testing Cross-Subsidy with Accounting Data," Bradley, Colvin, and Panzar, *Journal of Regulatory Economics* 16:83-100 (1999) at 85-86.

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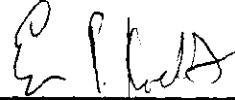
AAP/USPS-2. In AAP/USPS--T15-8 Response, Witness Bozzo states he is unaware of any cost studies that incorporate vehicle arrivals and departures as cost drivers. Please confirm if any USPS witness in this case has any knowledge about the existence of any studies that incorporate this information. Please provide the name of the specific witness who has addressed this issue. Additionally, please provide a cited passage in the testimony where this issue is addressed or the location of the particular study.

RESPONSE:

The Postal Service is unaware of any cost studies that incorporate vehicle arrivals and departures as cost drivers.

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.



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