

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 UNITED STATES POSTAL SERVICE  
WITNESS YEZER TO INTERROGATORIES OF  
DOUGLAS F. CARLSON  
(DFC/USPS-T31-9, 14, 16, 18)  
(April 24, 2000)

The United States Postal Service hereby provides the responses of witness Yezer to the following interrogatories of Douglas F. Carlson: DFC/USPS-T31-9, 14, 16, 18, filed on April 10, 2000. Objections to interrogatories DFC/USPS-31-8, 10-13, 15, 17 were filed on April 20, 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

*K N Hollies*

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Kenneth N. Hollies

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YEZER  
TO FOLLOW-UP INTERROGATORIES OF DOUGLAS F. CARLSON

**DFC/USPS-T31-9.** Please refer to your response to DFC/USPS-T31-2. By "proper incentive to expand services," are you referring specifically to either box services or the number of post-office boxes installed? If not, please explain.

**RESPONSE:** I am referring to the number of boxes.

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**DFC/USPS-T31-14.** Please define the meaning of "opportunity cost of space" as you used the term in DFC/USPS-T31-2.

**RESPONSE:** Opportunity cost is the value in an alternative use. Estimated rents indicate the cost to add more space by buying it away from an alternative use.

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**DFC/USPS-T31-16.** Please refer to your response to DFC/USPS-T31-2. Please discuss how imputed rental costs that reflect the opportunity cost of space lead to an economically efficient supply of post-office boxes.

**RESPONSE:** As noted above, in the absence of externalities, marginal cost pricing maximizes the sum of producer's plus consumer's surplus. This is a standard result in microeconomic theory. If price is set at the opportunity cost of providing space for post-office boxes, then the use of space for post-office boxes competes evenly with other uses of space.

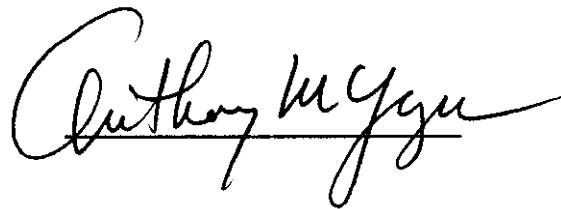
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**DFC/USPS-T31-18.** Please explain your understanding, *at the time you prepared your testimony*, of the Postal Service's policy toward earmarking or otherwise designating funds derived from higher box fees for financing expansion of box sections.

**RESPONSE:** I have no detailed knowledge of Postal Service accounting. I have simply maintained that, unless post-office box fees reflect opportunity costs of providing service, Postal Service management will not have the correct fee incentives to expand, contract, or maintain existing levels of service as appropriate.

**DECLARATION**

I, Anthony M. Yezer, 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 that reads "Anthony M. Yezer". The signature is written in a cursive style and is positioned above a horizontal line.

Dated: April 24, 2000

**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.

*K N Hollies*

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**Kenneth N. Hollies**

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-3083 Fax -5402  
April 24, 2000