

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

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE OFFICE OF THE CONSUMER ADVOCATE WITNESS SMITH
(USPS/OCA-T4-8-16)

Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to the Office of the Consumer Advocate witness Smith:


USPS/OCA-T4-8-16.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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May 26, 2000

Interrogatories of the United States Postal Service
To OCA Witness J. Edward Smith

USPS/OCA-T4-8. Apart from those reported in Table 6 of your testimony, did you perform any regression analyses to attempt to quantitatively validate your criticisms of Dr. Bradley's and Dr. Bozzo's methods and/or results, or for any other reason pertaining to your testimony? If so, please provide detailed descriptions of the purpose(s), method(s) and result(s) of your analyses. If not, why not?

USPS/OCA-T4-9. Did you perform any quantitative analysis (including, but not limited to, regression analysis) of the data provided in USPS-LR-I-107 to attempt to quantitatively validate your criticisms of Dr. Bradley's and Dr. Bozzo's methods and/or results, or for any other reason pertaining to your testimony? If so, please provide detailed descriptions of the purpose(s), method(s) and result(s) of your analyses. If not, why not?

USPS/OCA-T4-10.

- a. Do you contend that none of the criticisms of Dr. Bradley's and Dr. Bozzo's methods and/or results can be resolved with the data provided in the Docket No. R97-1 and Docket No. R2000-1 proceedings?
- b. If your response to part (a) is affirmative, please enumerate each criticism and provide a detailed explanation of why you believe resolution of the criticism is impossible. If you respond in the affirmative because you believe additional data are required, please state and justify theoretically your beliefs regarding the nature of the additional data that may be needed.

Interrogatories of the United States Postal Service
To OCA Witness J. Edward Smith

- c. If your response to part (a) is negative, in whole or in part, please enumerate each criticism you believe could potentially be resolved. In each case, please state and justify theoretically your beliefs regarding the methods that might resolve the issue.

USPS/OCA-T4-11. On page 5 (lines 4-6) of your testimony you define volume variability as “the percentage change in cost that results from a percentage change in volume, holding delivery points and other non-volume factors constant.”

- a. Would you therefore disagree with the statement: “growth in delivery points must be considered a part of the growth in volume”? If you would not, please reconcile your answer with the quoted passage from your testimony.
- b. Please explain your understanding of how a statistical estimation technique such as regression “holds constant” a non-volume factor such as delivery points.

USPS/OCA-T4-12. Please refer to your testimony at page 47, lines 3-12.

- a. Please confirm that the passage of Dr. Bozzo’s testimony you quote at the cited location refers to “cost-pool-level production (or cost) functions.” If you do not confirm, please state your understanding of the quoted passage.
- b. Is it your testimony that the “investment programs designed to reduce [mail processing] costs” to which you refer would reduce costs in every cost pool? Please explain your answer.

Interrogatories of the United States Postal Service
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- c. Can programs to shift mail processing from labor-intensive (manual) cost pools to capital-intensive (automation) cost pools alter the facility-wide (or systemwide) capital-labor ratios without materially altering the capital-labor ratios at the cost pool level? Provide a detailed justification of any negative answer.

USPS/OCA-T4-13. Please refer to your testimony at page 47, line 16, to page 51, line 13. Also refer to Dr. Bozzo's response to OCA/USPS-T-15-58, Tr. 15/6362-6364.

- a. Do you disagree with Dr. Bozzo's statement, provided in response to OCA/USPS-T-15-58(a) (Tr. 15/6362-63), that "my facility-level capital variable (QICAP) does not make use of the Postal Service's Total Factor Productivity results (i.e., the TFP index). Rather, it makes use of methods developed to measure capital input for the TFP analysis. That is, the relationship between my analysis and the Postal Service's TFP analysis is that they share common methods to develop data on economic input"? If so, please state the basis for your disagreement.
- b. Does Dr. Bozzo's statement, quoted in part (a) of this interrogatory, explain the nature of the "references to Total Factor Productivity" you mention at page 48, line 2 of your testimony? Please explain any negative answer.
- c. Do you have any evidence that the Postal Service's behavior is described by "output maximization"? If so, please provide all such evidence.

Interrogatories of the United States Postal Service
To OCA Witness J. Edward Smith

- d. Do you believe that the institutional environments in which the Postal Service operates and the Soviet manufacturing industries operated are comparable? If so, please provide all evidence that supports your belief.

USPS/OCA-T4-14. Please refer to your testimony at page 24, lines 1-10. On page 24 (lines 9-10) of your testimony you state that “[o]ne response [to an interrogatory, at Tr. 15/6387-8] discussed data errors due to commingling of manual and SPBS parcels.” At lines 6-7, you state that “[f]ield level data verification appears to be required to provide a sound basis for the analysis.”

- a. Do you disagree with Dr. Bozzo’s statement at Tr. 15/6388 that “the manual parcels observations [from the site in question] do not enter the manual parcel regression sample”? If so, please state the basis for your disagreement.
- b. Is it your opinion that the manual parcels data from the site in question was actually erroneous? If not, please state the basis for your belief.
- c. Assuming the data could not be reconstructed, what would you propose doing with the manual parcels data for that site? Justify your answer in detail.
- d. Do you disagree with Dr. Bozzo’s statement at Tr. 15/6387 that “[i]n contrast to the other MODS operations I studied, manual parcels and Priority volumes must be manually logged, so the volume data collection process is considerably more labor intensive than for operations in which volume data are transmitted from equipment or scales via electronic interfaces.” If so, please state the basis for your belief.

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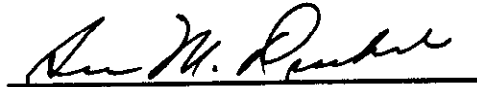
USPS/OCA-T4-15. Please refer to your testimony at page 68, lines 1-2. With reference to the analysis you present on the previous page, you state that "A modeling approach consistent with the data would be the 'between' model or the pooled model." Did you perform any formal specification test(s) to validate your statement? If so, provide a detailed description of the test method(s) and results. If not, what is the basis for your statement?

USPS/OCA-T4-16. Please refer to your testimony at page 66, lines 24-25, where you state "Dr. Bozzo apparently believes that the multivariate nature of the modeling process makes the bivariate graphs irrelevant."

- a. Do you believe that appropriate econometric models for measuring mail processing volume-variable costs would be multivariate in nature?
- b. If your response to part (a) is negative, reconcile the inconsistency between your response to part (a) and your claim on page 36 of your testimony that there is at least one variable you believe to be important omitted from Dr. Bozzo's study.
- c. Do you disagree with Dr. Bozzo's testimony on the shortcomings of visual analysis, presented at page 60, line 21, to page 61, line 12? If so, please state each point of disagreement, discuss in detail the nature of your disagreement, and provide all evidence that supports your position.

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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