

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-T4-26-31)

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:

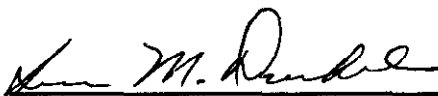
USPS/OCA-T4-26-31.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

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June 7, 2000

USPS/OCA-T4-26. Please refer to your testimony, OCA-T-4, at page 64, lines 15-16, where you state that “cross sectional data are assumed to show a longer-run equilibrium.”

- a. By “are assumed,” do you mean assumed by you? Please explain. If you claim that your statement is a point of econometric theory, please provide detailed citation(s) to relevant sources (e.g., Greene’s *Econometric Analysis*, and/or other recent econometrics textbooks) that support your statement.
- b. Is it your testimony that the Postal Service’s mail processing plants and/or operations located in the plants operate in a state of long-run equilibrium?
- c. If your response to part (b) is affirmative, in whole or in part, please provide all data, analysis, and/or studies that support your belief. If there are none, please so indicate.

USPS/OCA-T4-27. Please refer to your testimony at page 64, lines 9-10. You state, in describing the “between” model, that “a regression analysis is then performed on the sites.”

- a. Please confirm that by “performed on the sites,” you mean, more specifically, performed *using the site means of the data*. If you do not confirm, please indicate the correct interpretation of the quoted statement.
- b. Please confirm that the pooled, “between,” and fixed-effects estimators employ the same underlying data—i.e., the data that are averaged for use in the “between” estimator are the same data that are employed in the pooled and fixed-effects estimators. If you do not confirm, please explain your

answer, and provide references to appropriate sources in the econometrics literature to support your position.

USPS/OCA-T4-28. Please refer to your testimony, OCA-T-4, at page 63, lines 13-16. You state, "One could allow for the treatment of the data on a pooled basis or cross sectional basis... Such a modeling approach would be consistent with the data..."

- a. Is it your testimony that Dr. Bozzo did not "allow for the treatment of the data on a pooled basis or cross sectional basis"? Please explain any answer that is affirmative, in whole or in part.
- b. Is it your understanding that the question of whether or not the pooled or "between" estimation methods are "consistent with the data" can be answered with a statistical specification test (or tests)? Please explain any answer other than is anything other than an unqualified "yes," and provide references to appropriate sources in the econometrics literature to support your position.

USPS/OCA-T4-29. Please consider a piece of economic intuition that can be framed as the null hypothesis of an appropriate statistical specification test. Assume that when the test is performed, the null hypothesis is rejected at a confidence level of C percent (or, equivalently, a significance level of 100-C percent).

- a. Please confirm that confidence levels of C=90 percent or C=95 percent are widely accepted in econometric practice as minimum confidence levels for rejecting the null hypothesis of a statistical test. If you do not confirm, please explain fully, and provide references to appropriate sources in the econometrics literature to support your position.
- b. Please confirm that the standard interpretation of the hypothetical test result described above is that the null hypothesis is likely incorrect, with the probability of a "Type I" error (i.e., rejecting the null hypothesis even though it is correct) given by 100-C percent.

USPS/OCA-T4-30. Please refer to your testimony at page 63, line 22, to page 64, line 2. Is your statement, that "[t]he results [of appropriate econometric techniques and variables] could be 100 percent volume variable, or some other number greater than (or less than) 100 percent volume variable," based on the economic result that findings of economies (or diseconomies) of scale, size, density, etc., are theoretically possible? If not, please explain in detail the basis for your statement.

USPS/OCA-T4-31. Please refer to your testimony at page 32, line 15 (beginning with "He maintains..."), to page 33, line 6. You provide a number of paraphrases of statements you attribute to Dr. Bozzo.

- a. Please provide a detailed citation for each statement you attribute to Dr. Bozzo.

- b. For each statement you attribute to Dr. Bozzo in the cited section of your testimony, please indicate whether you agree or disagree, or if you have no opinion with respect to the statement. In each case, if you disagree, please explain fully the basis for your disagreement.

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.

A handwritten signature in black ink, appearing to read "Susan M. Duchek", is written above a solid horizontal line.

Susan M. Duchek

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