

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  
DIRECT MARKETING ASSOCIATION ET AL. WITNESS BUC  
(USPS/DMA-T1-19-25)

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 Direct Marketing Association et al. witness Buc: USPS/DMA-T1-19-25.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**USPS/DMA-T1-19.** Please refer to your response to USPS/DMA-T1-2(a), where you state:

Please note that I have read only the Commission's Decisions and the Postal Service's requests in omnibus rate cases from R76-1 through R97-1. I do not believe the Postal Service has ever employed in its requests for contingencies the framework the Commission has outlined in its decisions. Thus, I do not believe that any of the requests is reasoned.

Please explain how you were able to determine that the basis for the contingency in Docket R76-1 was not reasoned with respect to the Commission's framework when you have not read the Commission's Opinions prior to Docket R76-1.

**USPS/DMA-T1-20.** Please refer your response to USPS/DMA-T1-4. Please confirm that the amount you show for equity at the end of the year before filing for Docket No. R2000-1 is a negative \$446 million. If you do not confirm, please explain.

**USPS/DMA-T1-21.** Please refer to your response to USPS/DMA-T1-5 where you state:

[P]lease note that the Postal Service has continued to carry equity at book value rather than market value. As witness Tayman confirmed on April 19, 2000 in response to DMA/USPS-T9-58, the appraised value of Postal Service headquarters is \$76.8 million. It is carried on the books at a very small fraction of that amount. I suspect that if the Postal Service rationally managed its real estate by selling real estate in selected high value areas and relocating some operations, it could not only restore equity to a positive value, but also eliminate the need for prior year losses as a component of the revenue requirement.

- (a) Do you consider yourself an expert on real estate? If so provide your credentials.
- (b) Do you consider yourself an expert on accounting theory? If so provide your credentials.
- (c) Do you consider yourself an expert on the Postal Service's operations network? If so provide your credentials.
- (d) Is it your testimony that the Postal Service should increase the value of real estate on its books to market value? If so, please provide any basis for this position other than your personal opinion. Please provide examples of other entities, private or public, that carry real estate on their books at market value and provide the source(s) of your information.
- (e) What would happen to depreciation expense if USPS real estate were revalued to market value and what effect would this have on postage rates? Please explain your answer fully and include calculations supporting your response.

**USPS/DMA-T1-22.** Please refer to your response USPS/DMA-T1-9.

- (a) Please confirm that the state of the economy is useful in evaluating the appropriate level of contingency only to the extent that it could affect Postal Service test year revenues and expenses. If you do not confirm please explain.

- (b) Please confirm that one recent result of low unemployment is tight labor markets. If you do not confirm please explain.
- (c) Please confirm that, according to many economists and the Federal Reserve, tight labor markets have recently resulted in pressure to increase wages. If you do not confirm please explain.
- (d) Please confirm that the Federal Reserve has recently been raising interest rates and that the purpose of doing so is to slow down economic growth. If you do not confirm please explain.
- (e) Please confirm that a slowdown in economic growth could have an adverse effect on Postal Service volume and revenue growth. If you do not confirm please explain.
- (f) Please confirm that higher interest rates would increase Postal Service borrowing costs. If you do not confirm please explain.
- (g) Please confirm that fuel costs have recently risen dramatically and are currently much higher than was assumed in the Postal Service's revenue requirement. If you do not confirm please explain.

USPS/DMA-T1-23. Please refer to USPS/DMA-T1-9 where you state that "at a high level, economists often characterize the state of the economy as a function of two factors: inflation and unemployment."

- (a) Please confirm that economic growth as measured by GDP or GNP, which you have neglected to mention in your answer, is also a significant indicator of the state of the economy. If you do not confirm, please explain.
- (b) Please confirm that economic growth as measured by GNP and GDP has recently been exceptionally high. If you do not confirm, please explain.
- (c) Please refer to the A/P 8 FOS and confirm that mail volume and revenue growth through Accounting period 8 are below plan despite record growth in the overall economy. If you do not confirm, please explain.

USPS/DMA-T1-24. Please refer to your response to USPS/DMA-T1-11 and to the Commission's Opinion and Recommended Decision in Docket R97-1, Appendix C, page 1 of 2. Please confirm that the amount recommended by the Commission for test year (FY 98) supervisor costs was \$3.420 billion, or \$98 million less than the \$3.518 billion originally estimated by the Postal Service. If you do not confirm please explain.

USPS/DMA-T1-25. Please refer to your response USPS/DMA-T1-12.

- (a) Is it your testimony that a savings in clerk workhours resulting from the introduction of automated equipment will automatically result in a proportional reduction in supervisor workhours, regardless of what decisions are made by management regarding the supervisory requirements of the new operating environment? If your answer is yes, please explain how you know this to be true.
- (b) Is it possible that the new operating environment created by the introduction of automated equipment could result in additional complexities and supervisor responsibilities within the new operation? If you do not believe this is possible, please explain why.