

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 THRESS TO INTERROGATORIES OF
THE ASSOCIATION OF AMERICAN PUBLISHERS,
(AAP/USPS-TST46-1 - 5)

The United States Postal Service hereby provides the responses of witness Thress to the following interrogatories of AAP: AAP/USPS-ST46-1 - 5, filed on July 26, 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



Eric P. Koetting

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August 1, 2000

**RESPONSE OF POSTAL SERVICE WITNESS THRESS
TO INTERROGATORIES OF ASSOCIATION OF AMERICAN PUBLISHERS**

AAP/USPS-ST46-1 At Table 1 of your testimony, you provide a comparison of actual Total Standard B mail volume for the first three quarters of 2000 with the USPS' forecasted Total Standard B mail volumes for the same three quarters. With respect to this Table, please provide the underlying forecasted and actual volumes for the same period separately for *Parcels Zone Rate, Bound Printed Matter, Special Standard and Library Mail.*

RESPONSE:

	R2000-1 (2000Q1 - 3)	Actual (2000Q1 - 3)	Difference	
			Pieces	Percentage
Parcel Post	254.580	241.982	12.598	5.21%
Bound Printed Matter	338.142	353.491	(15.349)	-4.34%
Special Rate	148.349	156.852	(8.503)	-5.42%
Library Rate	20.526	19.880	0.646	3.25%
Total Standard B Mail	761.597	772.205	(10.608)	-1.37%

**RESPONSE OF POSTAL SERVICE WITNESS THRESS
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AAP/USPS-ST46-2 At Table 2 of your testimony, you provide a comparison of forecast accuracy for the USPS R2000-1 forecast versus the forecast accuracy of the R97-1 and R94-1 forecasts. With respect to this Table, please provide the underlying data separately for Parcels Zone Rate, Bound Printed Matter, Special Standard and Library Mail for the R97-1 and R94-1 forecast error calculation.

RESPONSE:

	R97-1	Actual	Difference	
	(97Q3-98Q2)	(97Q3-98Q2)	Pieces	Percentage
Parcel Pos:	234.822	256.940	(22.118)	-8.61%
Bound Printed Matter	553.616	511.433	42.183	8.25%
Special Rate	198.850	195.132	3.718	1.91%
Library Rate	29.666	26.758	2.908	10.87%
Total Standard B Mail	1,016.954	990.263	26.691	2.70%

	R94-1	Actual	Difference	
	(1994Q1 - 3)	(1994Q1 - 3)	Pieces	Percentage
Parcel Post	150.948	167.399	(16.452)	-10.90%
Bound Printed Matter	226.557	267.919	(41.363)	-18.26%
Special Rate	128.870	135.729	(6.860)	-5.32%
Library Rate	21.074	27.012	(5.939)	-28.18%
Total Standard B Mail	527.447	598.059	(70.612)	-13.39%

RESPONSE OF POSTAL SERVICE WITNESS THRESS
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AAP/USPS-ST46-3 Please provide the historical underlying data for real personal consumption expenditures per adult from DRI that were used in the USPS test year volume forecast as described on page 6 (lines 9-12) of your testimony.

RESPONSE:

Please see Workpaper 1 accompanying my direct testimony (USPS-T-7), Table 1-18, page 26. Real personal consumption expenditures per adult are listed there under the column heading "C92C".

**RESPONSE OF POSTAL SERVICE WITNESS THRESS
TO INTERROGATORIES OF ASSOCIATION OF AMERICAN PUBLISHERS**

AAP/USPS-ST46-4 Please provide the historical data currently provided by DRI for real personal consumption expenditures per adult that are described on page 6 (lines 12-15) of your testimony.

RESPONSE:

TIME	C96C	TIME	C96C	TIME	C96C
1970Q1	19.122	1980Q2	22.148	1990Q3	26.293
1970Q2	19.160	1980Q3	21.549	1990Q4	26.328
1970Q3	19.175	1980Q4	21.608	1991Q1	26.076
1970Q4	19.242	1981Q1	21.781	1991Q2	25.799
1971Q1	19.123	1981Q2	21.783	1991Q3	25.973
1971Q2	19.395	1981Q3	21.693	1991Q4	25.948
1971Q3	19.645	1981Q4	21.704	1992Q1	25.812
1971Q4	19.678	1982Q1	21.421	1992Q2	26.058
1972Q1	19.858	1982Q2	21.446	1992Q3	26.135
1972Q2	19.974	1982Q3	21.437	1992Q4	26.239
1972Q3	20.186	1982Q4	21.431	1993Q1	26.524
1972Q4	20.440	1983Q1	21.711	1993Q2	26.605
1973Q1	20.833	1983Q2	21.802	1993Q3	26.597
1973Q2	21.108	1983Q3	22.104	1993Q4	26.906
1973Q3	21.008	1983Q4	22.416	1994Q1	27.115
1973Q4	20.977	1984Q1	22.696	1994Q2	27.257
1974Q1	20.820	1984Q2	22.866	1994Q3	27.458
1974Q2	20.560	1984Q3	23.002	1994Q4	27.589
1974Q3	20.545	1984Q4	23.152	1995Q1	27.803
1974Q4	20.501	1985Q1	23.343	1995Q2	27.850
1975Q1	20.072	1985Q2	23.604	1995Q3	27.933
1975Q2	20.161	1985Q3	23.729	1995Q4	28.213
1975Q3	20.400	1985Q4	24.005	1996Q1	28.250
1975Q4	20.607	1986Q1	24.063	1996Q2	28.449
1976Q1	20.760	1986Q2	24.195	1996Q3	28.646
1976Q2	21.077	1986Q3	24.325	1996Q4	28.742
1976Q3	21.152	1986Q4	24.601	1997Q1	28.872
1976Q4	21.275	1987Q1	24.750	1997Q2	29.099
1977Q1	21.471	1987Q2	24.733	1997Q3	29.171
1977Q2	21.603	1987Q3	24.907	1997Q4	29.496
1977Q3	21.616	1987Q4	25.114	1998Q1	29.723
1977Q4	21.702	1988Q1	25.105	1998Q2	30.009
1978Q1	21.923	1988Q2	25.418	1998Q3	30.379
1978Q2	21.908	1988Q3	25.568	1998Q4	30.726
1978Q3	22.267	1988Q4	25.706	1999Q1	30.965
1978Q4	22.287	1989Q1	25.904	1999Q2	31.302
1979Q1	22.336	1989Q2	25.985	1999Q3	31.728
1979Q2	22.358	1989Q3	25.970	1999Q4	32.037
1979Q3	22.225	1989Q4	26.100	2000Q1	32.352
1979Q4	22.284	1990Q1	26.143	2000Q2	32.902
1980Q1	22.260	1990Q2	26.303	2000Q3	33.163

RESPONSE OF POSTAL SERVICE WITNESS THRESS
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AAP/USPS-ST46-5 Please provide all new elasticities for Bound Printed Matter that you, or the Postal Service, have calculated using "new Commerce Department data" as described on page 6 (lines 16-20) of your testimony.

RESPONSE:

As I stated in my testimony at page 7, lines 9 through 13, "a simple mechanical re-estimation of the equations used in R2000-1 may be inappropriate, as the *relationship between mail volume and certain macroeconomic drivers of mail volume* may need to be re-evaluated in light of the new macroeconomic data. Such an analysis is not practical within the brief time permitted for the Postal Service to address this issue in this case."

Hence, I do not necessarily recommend the following results. Nevertheless, in an effort to be responsive to your request, I can report that I have re-estimated the bound printed matter elasticities using new Commerce Department data, using a sample period through 2000Q3, using the same specification as was used in R2000-1 (see my direct testimony, USPS-T-7, at pages 69-70 and 74).

For this regression, the estimated permanent income elasticity of bound printed matter is 1.309 and the estimated own-price elasticity of bound printed matter is -0.280.

DECLARATION

I, Thomas Thress, 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, appearing to read 'Thomas Thress', written over a horizontal line.

(Signed)

08-01-00

(Date)

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.



Eric P. Koetting

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