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PRESIDING OFFICER'S
RULING NO. R2000-1/135

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes

Docket No. R2000-1

PRESIDING OFFICER'S RULING
DENYING POSTAL SERVICE MOTION
TO STRIKE TESTIMONY OF OCA WITNESS SMITH THAT
RESPONDS TO NOI NO. 4

(Issued August 29, 2000)

On August 22, 2000, the Commission received the Motion of the United States Postal Service to Strike Portions of the Written Response of Office of the Consumer Advocate Witness Smith to Notice of Inquiry No. 4 (Motion). On August 25, 2000, the Commission received the Office of the Consumer Advocate Opposition to Motion of United States Postal Service to Strike Portions of the Written Response of Witness Smith to Notice of Inquiry No. 4 (Opposition).

NOI No. 4 addressed the issue of how a mail processing variability model should be selected. It had two lines of inquiry—one technical and the other theoretical. The technical line invited interested parties to test various restrictions to a family of mail processing variability models that might be viewed as parallel to the family tested by witness Bozzo. The theoretical line invited parties to discuss whether such statistical hypothesis tests were sufficient to establish the validity of either family of models, or whether economic theory should be the predominate guide in determining whether models from either family were valid.

In his response to NOI No. 4, OCA witness Smith declined the invitation to perform the suggested hypothesis tests. He focused instead on the theoretical line of inquiry. He reiterates points made in his initial testimony concerning the inadequacy of

MODS data as a basis for estimating mail processing variability. He argues that defects identified in the specification of the facility-indexed family of models tested by witness Bozzo apply to the time-indexed family of models as well. He also asserts that the models tested are not designed to distinguish the short-run effects of volume on mail processing costs from longer-run effects. Only the latter, he argues, are theoretically appropriate effects for purposes of rate-setting. For these reasons, witness Smith concludes that none of the models tested can be considered valid on the basis of statistical tests alone. Rebuttal Testimony in Response to Notice of Inquiry No. 4 of J. Edward Smith on Behalf of the Office of the Consumer Advocate, filed August 21, 2000, at 4-7.

The Postal Service's motion argues that instead of submitting testimony in response to NOI No. 4, the OCA could have filed "a brief response setting forth Dr. Smith's limited views on the specific issues raised." Motion at 3. The Postal Service, however, fails to explain why brief testimony setting forth witness Smith's views on the relationship of statistical hypothesis testing and economic theory is a less appropriate response to NOI No. 4 than "comments" would have been. The views expressed by witness Smith squarely address the theoretical line of inquiry contained in NOI No. 4, and are appropriate responses to it. Since such views respond directly to the theoretical issue raised by NOI No. 4, it is appropriate to present them in the form of testimony. Furthermore, as testimony, witness Smith's contentions will be subject to cross-examination on the record so that potential flaws in his analysis can be exposed to the Commission. See Opposition at 2-3.

For these reasons, the Postal Service's motion to strike the testimony of witness Smith that responds to NOI No. 4 will be denied.

RULING

The Motion of United States Postal Service to Strike Portions of the Written Response of Office of the Consumer Advocate Witness Smith to Notice of Inquiry No. 4, filed August 22, 2000, is denied.

A handwritten signature in black ink, appearing to read "Ed J. Gleiman", with a long horizontal flourish extending to the right.

Edward J. Gleiman
Presiding Officer