

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes, 1997

Docket No. R97-1

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OFFICE OF THE SECRETARY

**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
JOHN C. PANZAR (NAA/USPS-T11-1-5)
August 27, 1997**

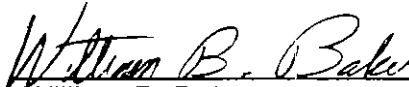
The Newspaper Association of America hereby submits the attached interrogatories to United States Postal Service witness John C. Panzar (USPS-T-11) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

August 27, 1997


William B. Baker

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NAA/USPS-T11-1. Please refer to your testimony at page 7, lines 5-7. Please confirm that economic efficiency is not the sole objective for setting rates under the Postal Reorganization Act. If you cannot confirm, please explain why.

NAA/USPS-T11-2. Please refer to your testimony at page 13, lines 4-5. Please explain how each of the "traditional Postal Service costing procedures" is designed to measure the specific fixed costs of the individual mail subclasses.

NAA/USPS-T11-3. Please refer to your testimony at page 14, lines 3-7.

- a. Did you independently verify that the operating procedures now used to process mail are unlikely to change in the next few years? If so, please describe this independent verification.
- b. Would the introduction of new mail processing procedures, new processing equipment or enhanced features for current processing equipment render your assumption unrealistic? Please explain.
- c. Please explain how you would compute incremental costs if the operating procedures are changing over the next few years.

NAA/USPS-T11-4. Please refer to your testimony at page 24, lines 17-20.

- a. How many of the 20 cost segments or components within these cost segments exhibit declining marginal costs?
- b. Please list each cost segment or component that exhibits declining marginal costs.

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NAA/USPS-T11-5. Please refer to your testimony at page 29, lines 11-13.

- a. Please confirm that the rates for every subclass must be set high enough to recover revenues from the subclass equal to the incremental costs of the subclass in order to avoid cross-subsidization. If you cannot confirm, please explain.
- b. Assume that the rates for each subclass are initially set to recover revenues equal to the incremental costs of the subclass, so that no subclass was being cross-subsidized. Given this assumption, is the difference between the total costs of the Postal Service and the sum of all subclass incremental costs equal to the "revenue deficiency" that must be recovered in order to ensure that the Postal Service breaks even. If not, please explain why not.