

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, 1997)

Docket No. R97-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS GEORGE S. TOLLEY
(OCA/USPS-T6-1)
September 3, 1997

Pursuant to sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories 1-7 to the United States Postal Service dated July 16, 1997, are hereby incorporated by reference.

Respectfully submitted,



GAIL WILLETTE

Director

Office of the Consumer Advocate



KENNETH E. RICHARDSON

Attorney

OCA/USPS T5-1. The Postal Rate Commission's Opinion and Recommended Decision in Docket No. R94-1, pages II-36-45 discusses several areas which the Commission found troubling in your volume forecast testimony in that case. Please indicate whether you have addressed any of those concerns in your work in this case and how you or other witnesses have modified your studies to meet each of the following concerns addressed in that Opinion.

- a. At times replacing the computed "net trends" for volume forecasts normally derived from forecast error analysis with a subjective estimate. (pages II-36-37).
- b. The omission of forecasts of volumes for international mail, stamped envelopes, lock box/caller service, and various types of postal fees which are needed to develop satisfactory forecasts of postal revenues. (pages II-37).
- c. The omission of an adequate quantitative description of the origins of the volume adjustment multipliers necessary to review and correct them if required. (pages II-40-41).
- d. Use of unusual and ad hoc estimation techniques in place of generally accepted econometric methods such as multi-stage techniques to estimate "net trends", permanent income elasticities, several cross-price and cross-volume elasticities based upon prior information as if known with certainty, and "Z variables". (pages II-41-42).
- e. Using seasonal indices derived by seasonally adjusting the residuals from a preliminary fit using the X-11 process that cannot perfectly separate the seasonal effects from the errors. (pages II-42-43).

- f. Use of explanatory variables that cannot be directly measured and do not satisfy well-known standards for independent (explanatory) variables in least-squares estimations and other conventional econometric techniques. (pages II-43).
- g. The use of ad hoc estimates, arbitrary assumptions and personal judgments, in the absence of data for new discount classes, to estimate the slope coefficients for 15 categories of automation discounts in first-class and third-class mail by measuring the response of the various automated mail streams to the changes in the automation rate discounts. (pages II-44-45).

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


KENNETH E. RICHARDSON
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