

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

Postal Rate and Fee Changes, 1997

RECEIVED  
Docket No. R97-1  
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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

**NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
UNITED STATES POSTAL SERVICE WITNESS  
DONALD M. BARON (NAA/USPS T17-9-16)**

**September 12, 1997**

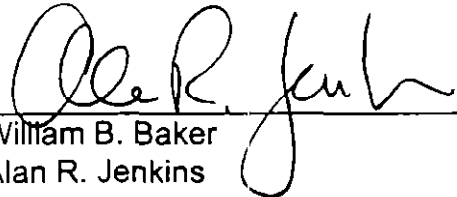
The Newspaper Association of America hereby submits the attached interrogatories to United States Postal Service witness Donald M. Baron and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

Robert J. Brinkmann  
NEWSPAPER ASSOCIATION OF AMERICA  
529 14th Street, N.W.  
Suite 440  
Washington, D.C.  
(202) 638-4792

By:

  
William B. Baker  
Alan R. Jenkins  
WILEY, REIN & FIELDING  
1776 K Street, N.W.  
Washington, DC 20006-2304  
(202) 429-7255

**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.

September 12, 1997

  
Alan R. Jenkins

NEWSPAPER ASSOCIATION OF AMERICA  
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NAA/USPS-T17-9. Please refer to your response to NAA/USPS-T17-1, part (a).

- a. What, if any, statistical tests did you apply to determine the sample size of one-letter stops necessary to accurately estimate minimum load times?  
Please provide a complete description of these tests.
- b. Is the lowest 20<sup>th</sup> percentile sample you employ to derive these estimates the smallest sample one can use to generate "reliable" estimates? If so, please explain your response in detail. If no, please indicate the smallest sample that can be used to generate a "reliable" estimate and please explain how you derived this figure.

NAA/USPS-T17-10. Please refer to your response to NAA/USPS-T17-2, part (a).

- a. Please confirm that a reasonable "lower bound" of fixed time per stop would be less than the related figures you describe in your testimony as being "upper bound" estimates. If you cannot confirm, please explain your response fully.
- b. If part (a) is confirmed, please provide a specific value for the lower bound of the fixed time per stop for SDR, MDR, and BAM stops.
- c. Please explain in detail the methods you used to derive the values presented in part (b) above.

NAA/USPS-T17-11. Please refer to your response to NAA/USPS-T17-4, part (e).

- a. Do the load-time values in the 1985 test data set used to estimate the load-time regressions include load times for one-letter stops? If no, please explain.
- b. If part (a) is affirmative, please confirm that you employ a sample of these one-letter stops (i.e., the lowest 20<sup>th</sup> percentile) to derive your estimates of fixed time per stop. If you cannot confirm, please explain your response.

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NAA/USPS-T17-12. Please refer to your response to NAA/USPS-T17-3, part (b).

- a. Please explain why you are relying on 1985 data. Are there no more recent data that can be used to estimate load-time regressions? If no, why not? ~~and explain any other reasons.~~
- b. Please confirm whether carrier activities have changed since 1985. If yes, explain how ~~and how you estimate the load-time regressions?~~
- c. Please confirm whether carrier efficiency has increased since 1985. If yes, how has efficiency increased? If not, why not.

NAA/USPS-T17-13. Please refer to your response to NAA/USPS-T17-5, part (d).

- a. Please provide a complete definition of the term "residual institutional costs".
- b. Please indicate whether the term "residual institutional costs" has been used previously in the rate setting context and please explain how and when this term was used.
- c. Please define "variable" costs and explain whether your definition is consistent with standard economic terminology.
- d. According to standard economic theory, are these "residual institutional costs" fixed or variable in nature? Please explain your response.
- e. Assuming that volume falls substantially, would the "residual institutional costs" as you describe them in your response still equal \$333,866 thousand? If yes, please explain why these costs will remain fixed. If not, please explain why not, and discuss the likely magnitude of the change in these costs.
- f. Assuming that volume falls to one piece, would the "residual institutional costs" as you describe them in your response still equal \$333,866 thousand? If yes, please explain why these costs do not vary with large changes in volume. If no, please explain why not and describe how these costs will change with changes in volume.

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NAA/USPS-T17-14. Please refer to your response to NAA/USPS-T17-3, part (b).

- a. Aside from the fact that the estimates of  $\alpha$  in the MDR and BAM regressions are both negative, are there additional reasons why these estimates should not be interpreted as valid measures of fixed-time per stop? Please list and explain all these reasons.
- b. Do the negative estimates of  $\alpha$  in the MDR and BAM regressions indicate that the incorrect functional form was used to estimate the equations? Please explain your response fully.
- c. If the regression coefficient  $\alpha$  was used to estimate fixed-time per stop at SDR stops, what would be the resulting fixed-time per stop? How does this estimate compare to your estimate of fixed-time per stop based upon the lowest 20th percentile of one-letter stops for SDR stops?

NAA/USPS-T17-15. Please refer to your response to NAA/USPS-T17-8, part (b).

Please confirm the correct paragraph reference in R90-1 for "coverage-related load time."

NAA/USPS-T17-16. Please refer to your response to NAA/USPS-T17-5, part (b).

Please confirm whether the last sentence of part (b) of your response refers to the \$11,608 thousand figure in Table 14 of page 39 of your direct testimony. If not, where is the volume variability involved in the "actual stops increase in response to volume growth" accounted for?