

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

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Postal Rate and Fee Changes, 1997

Docket No. PR97-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
JOHN C. PANZAR (NAA/USPS-T11-6-10)
September 15, 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

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

By: William B. Baker
William B. Baker
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 15, 1997

William B. Baker
William B. Baker

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UNITED STATES POSTAL SERVICE WITNESS
JOHN C. PANZAR (NAA/USPS-T11-6-10)

NAA/USPS-T11-6. Please provide an economist's definition of

- a. Short-run marginal costs.
- b. Long-run marginal costs.

NAA/USPS-T11-7. For optimal pricing (based on marginal costs), is it preferable as a matter of economic theory to use short-run or long-run marginal costs? Please explain.

NAA/USPS-T11-8. Please confirm that incremental costs are a measure of cost causality. If you cannot confirm, please explain why not.

NAA/USPS-T11-9. Please refer to page 3, lines 19-26 of your testimony. What would be an example of a change in Postal Service operations that would render invalid the implicit assumption that the process by which historical cost data were generated would continue to be valid in the future?

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NAA/USPS-T11-10. Assume a subclass having volume variable costs of 100 and specific fixed costs of 20.

- a. Confirm that, under the approach of your testimony, the marginal costs of subclass X would equal 100.
- b. Please confirm that, under the approach of your testimony, the incremental costs of subclass X would equal 120.
- c. Assume further that a cost coverage of 125 is assigned to subclass X. Please confirm that if this cost coverage were applied to the volume variable costs, subclass X's target revenue would equal 100.
- d. Assume again that a cost coverage of 125 is assigned to subclass X. Please confirm that if this cost coverage were applied to the incremental costs, subclass X's target revenue would equal 125.
- e. Assume instead that a cost coverage of 120 is assigned to subclass X. Please confirm that if this cost coverage were applied to the volume variable costs, subclass X's target revenue would equal 96.
- f. Assume again that a cost coverage of 120 is assigned to subclass X. Please confirm that if this cost coverage were applied to the incremental costs, subclass X's target revenue would equal 120.