

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

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POSTAL RATE COMMISSION
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POSTAL RATE AND FEE CHANGES, 1997

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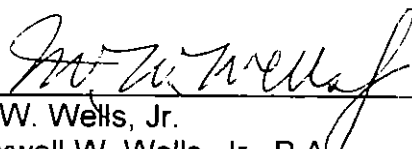
FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS JOHN C. PANZAR, USPS-T-11

FGFSA/USPS-T11-1-3

September 16, 1997

Florida Gift Fruit Shippers Association (FGFSA) hereby submits the attached interrogatories to USPS WITNESS Panzar (USPS-T-11) and requests a timely and full response under oath.

Florida Gift Fruit Shippers Association

By 
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Interrogatories to USPS Witness Panzar

FGFSA/USPS - T11-1

The Postal Service contracts for highway transportation to service Intra-BMC mail. Each contract is for a specific route to be operated on a prescribed, contracted for time schedule, to provide service of a specified cube capacity, regardless of actual mail volume, from a BMC to one or more SCFs or other postal facilities, with scheduled intermediate stops for unloading and partial loading, together with a return from those postal facilities to the BMC.

- a) Do you categorize those contracts as being examples of marginal or incremental costs? If not, how do you categorize them?
- b) Is each segment or leg of the route an example of marginal or incremental costs? If not, how do you categorize them?
- c) If actual mail volume exceeds the contracted for capacity, and additional transportation service is obtained to handle the excess, is the cost of the additional transportation an example of marginal costs? If not, please explain.
- d) Are these contracts "intermediate inputs" as you use those terms on page 20 of your testimony?

FGFSA/USPS-T11-2

Do you agree that the cost of each Intra-BMC contract is a joint cost, as that term is used by an economist, of providing the transportation service for the entire route? If not, please explain.

FGFSA/USPS-T11-3

Refer to page 18 of your testimony and your reliance on the article "Measuring Product costs for Rate-making: The United States Postal Service" and the costing concepts discussed therein.

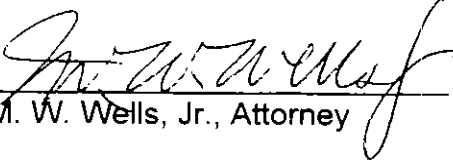
- a) Do you agree that joint costs exist where there are two or more outputs which are produced in fixed proportions?
- b) Is an example of such joint costs the contract cost for a truck to provide Intra-BMC transportation outbound from the BMC to one or more SCFs or other postal facilities, with a return trip inbound to the BMC from those postal facilities?

- c) Do you agree that postal service production exhibits joint or common costs with the outputs for a given amount of resources being variable in their proportion?
- d) The article suggests that with joint or common costs, some "demand consideration must be used in setting rates to cover all costs" (p.134) Do you agree with this? Please explain any negative response.
- e) Also on page 134 of the article it is said: "An example of common costs arises when a letter carrier approaches a house and is carrying three classes of mail. These costs are common because changes in the relative distribution among pieces, by class, have no impact on cost...It is thus impossible to say which of the three classes "caused" the trip to the house."
 - i. Do you agree with this? Please explain any negative response.
 - ii. Mailed to be delivered caused the trip from the route to the house. Did that same mail cause the trip from the house back to the route?

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding on this date in accordance with Section 12 of the Rules of Practice and Procedure.

Dated :September 16, 1997



M. W. Wells, Jr., Attorney