

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

PARTIAL OBJECTION OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF GCA TO WITNESS THRESS (GCA/USPS-T7-6 & 7)
(May 23, 2005)

As indicated below, the United States Postal Service hereby files a partial objection to the above-referenced interrogatories, filed by GCA on May 12, 2005.

The questions read:

GCA/USPS-T7-6

- a) Would you agree that many changes have occurred since 1995 which have affected FCLM? If your answer is not an unequivocal "yes," please explain.
- b) If many changes have occurred since 1995 that affect FCLM, please confirm that there must have been relatively more structural changes since 1995 than prior to 1995.
- c) Please state how you tested for such structural breaks. If you conducted these tests, please provide the results of those tests. If you have not conducted those tests, please conduct the appropriate tests and provide them. Specifically, please divide the sample data for FCLM into 1983Q1-1994Q4 and 1995Q1-2004Q4 and run your regressions for these two periods and provide the results, including estimated elasticities.
- d) After running the regression for the above two periods please examine and discuss the coefficients' stability.

GCA/USPS-T7-7

- a) Please confirm that, in order to preserve the power of the model, for example in the case of First Class single piece letter mail, one should include a variable which is the multiplication of a dummy variable representing post and pre-1995 by the SP price.

- b) Please confirm that the sum of resulting coefficient of this cross-multiplication variable and the coefficient of SP price, would be the SP own price elasticity for the period 1995-2004.
- c) Please conduct the above regression and provide the results.

A common element of these two questions compels this objection. Each presupposes that there is some particular significance to the year 1995 for purposes of examining the demand for First-Class Mail. Witness Thress will be addressing this contention in his responses. Each question, however, also requests witness Thress to run regressions as directed by GCA, and provide the results. These requests appear in subparts 6c and 7c.

Neither the Postal Service in general, nor witness Thress in particular, is under any obligation to run regressions and provide results at the directions of any party, GCA or otherwise. If parties such as GCA wish to run their own regressions and sponsor the results, they are free to do so. The Postal Service goes to great effort and expense to comply with the Commission's rules, one purpose of which is to facilitate the opportunity for parties to conduct alternative analyses. If GCA for some reason feels that it lacks necessary inputs to conduct its own analyses, it is certainly free to inquire about such items. Parties, however, should not be allowed to shift to the Postal Service the burden of conducting and sponsoring their own analyses. These requests exemplify the types of problems such practice would engender, as the questions presuppose particular relevance to 1995, and witness Thress does not share this presupposition.

Therefore, for the reasons specified above, the Postal Service objects to GCA/USPS-T7-6 and 7 to the extent that they request witness Thress to conduct regressions under the direction of GCA, but is otherwise willing to respond to those

questions.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

Eric P. Koetting

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