

DOCKET SECTION

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 DOW JONES & COMPANY, INC.  
WITNESS WILLIAM B. SHEW  
(OCA/DJ-T1-1-7)  
January 28, 1998

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  
Office of the Consumer Advocate

OCA/DJ-T1-1. Please refer to your testimony at pages 4 through 9.

- a. Recognizing that price and cost are normally measured by economists in dollar terms, did you find any dollar measurements in witness Bradley's testimony? If so, please explain.
- b. Do you have or are you aware of any study that shows that the use of labor hours is a meaningful measure of cost? If so, please identify the study.
- c. In discussing economic efficiency, economists usually discuss marginal revenues, prices, costs, etc. and provide a variety of general equilibrium economic efficiency conditions. It is on the basis of these conditions that economists have a theoretical basis for the analysis of efficiency, costs, and prices. Would these conditions be met if labor hours were assumed to be the costs? If so, please explain.

OCA/DJ-T1-2. On page 11, lines 15-16 of your testimony, you discuss factors that help to explain costs. On page 18, lines 7-10 of your testimony, you state that for witness Bradley's study, "[I]ts usefulness as an analytic tool might be further expanded if, in future versions of the study, the labor cost of mail processing were measured in dollar terms as well as hours and if the investment in plant and equipment associated each activity at each site were included as explanatory variables." Given that economic theory focuses on labor, capital, and the price system, and given your statement that considerations of capital, prices, and costs are absent from witness Bradley's study, could it be assumed that the study presents a short-run cost estimating equation between labor hours and TPH?

OCA/DJ-T-1-3. Given your concern over the absence of cost and investment data, please explain your reasoning leading to the statement on page 18, lines 11-13 of your testimony that "the size of the data sets and the thoroughness of the analysis provide ample reason to be confident that the results are reliable."

OCA/DJ-T1-4. Do you believe that witness Bradley has presented (1) a cost function or equation as defined by economists or (2) a cost estimating relationship between hours of labor and TPH based on operational factory floor data? Please explain your answer.

OCA/DJ-T1-5. On page 12, lines 17-18 of your testimony, you indicate that witness Bradley's large data sets make it extremely unlikely that the combinations of cost and scale that he observes are atypical. Are they typical for non-MODS offices? Please explain your answer.

OCA/DJ-T1-6. On page 12, line 9 of your testimony, you state, "Being able to observe the costs of many different scales of mail processing facilitates establishing the precise shape of the relationship between total pieces of mail handled and cost." Please define how you understand scale: whether it differs from TPH, whether scale of a facility is related to size and investment, and how you believe scale is related mail processing.

OCA/DJ-T1-7. You indicate on page 13, line 16 of your testimony that witness Bradley explains that accurate information on compensation in each mail processing activity was not readily available.

- a. On the basis of your understanding of data availability, given that hours are measured based on people clocking into operations by badge number or in other similar ways, do you have any information as to why dollar data would be unavailable? If so, please explain.
- b. As an economist, would you agree that the absence of cost data presents a problem in the development of a cost study? If you do not agree, please explain.
- c. As an economist, would you advocate gathering such data, possibly as a prelude to conducting a cost study? If you would not, please explain.

#### 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  
Attorney

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