

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

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) Docket No. R2000-1
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FIRST SET OF INTERROGATORIES OF
MAGAZINE PUBLISHERS OF AMERICA, INC.
TO USPS WITNESS BOZZO
(MPA/USPS-T-15-1-8)

(January 21, 2000)

Pursuant to the Commission's Rules of Practice, Magazine Publishers of America hereby submits the attached interrogatories to USPS Witness Bozzo (MPA/USPS-T15-1-8).

Respectfully submitted,



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**INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA
TO UNITED STATE POSTAL SERVICE WITNESS BOZZO**

MPA/USPS-T-15-1. Please refer to Section VIII.B.3., where you describe your investigation and corroboration of Dr. Bradley's R97-1 results for the MODS allied operations. On page 138, you indicate that you investigated several different models that enhanced Dr. Bradley's work with data on additional cost drivers, specifically data on crossdocked containers, destinating volumes, and truck arrivals and departures.

- a. Please describe the precise models that you investigated and the variability estimates you obtained for each. Please include descriptions of any and all alternate model specifications that you investigated.
- b. Please provide the data and programs for performing the analyses described above in MPA/USPS-T-15-1(a).
- c. Please describe any tests of significance or specification that you performed on these models.
- d. Please describe the statistical analyses underlying your conclusion on lines 14-17 of page 138 that Dr. Bradley's "proxy" cost drivers provide "the bulk of the explanatory power."

MPA/USPS-T-15-2. Please refer to Section VII.C., where you discuss your alternate estimation methods.

- a. Is it the case that the pooled and "between" estimation methods are identical except that the pooled model uses the full dataset and the "between" model uses only the mean of each variable for each facility? If this is not the case, please describe all other differences between the pooled and "between" estimation methods.
- b. Please describe the general circumstances — according to standard econometric theory and practice — in which it is considered preferable to use averaged cross-section data rather than panel data when both are available. Similarly, please describe the general circumstances in which it is considered preferable to use panel data rather than averaged cross-section data. In each case, please briefly explain the rationale for these

preferences or provide appropriate citations to such explanations contained in standard econometric references.

c. Please confirm that the effect of using the mean of each variable for each facility is to remove information from the dataset about the nature of volume-variability *within* facilities. If this is not the case, please explain why it is not.

d. Please explain the difference (if any) between measuring volume-variability between facilities and measuring it within facilities in terms of the economic meaning of the demand function that is being measured in each case.

MPA/USPS-T-15-3. Did you perform any alternate data scrubs that are not reported in USPS-T-15? If so, please describe each such data scrub and provide the results of any investigations you performed about the impact of the scrub on the data characteristics and the resulting volume-variability estimates.

MPA/USPS-T-15-4. Please refer to Section VIII.B.1, page 134, where you state:

While witness Degen's testimony does not directly address these operations, many of the factors he identifies as consistent with lower volume-variability factors for Function 1 operations are also present in the analogous Function 4 and non-MODS operations.

Please identify the analogous pairings of Function 1 and Function 4 operations, and of Function 1 and non-MODS operations, for which there are similar factors that are consistent with lower volume-variability factors.

MPA/USPS-T-15-5. Please refer to Section II.B., page 19, where you state that the Commission's conclusion in R97-1 about biases introduced by Dr. Bradley's data scrubs is "simply unsupported by the record in that case." Please provide citations for the precise model comparisons that substantiate your statement.

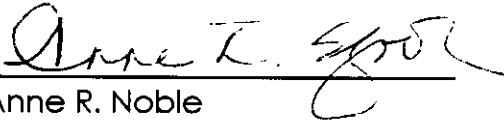
MPA/USPS-T-15-6. Please describe the method used to construct your facility capital index. Please describe and provide any additional data used to construct this index that have not already been described and provided in USPS-LR-I-107.

MPA/USPS-T-15-7. Please explain why you have chosen to use quarterly data rather than accounting period data.

MPA/USPS-T-15-8. Please refer to Table 9 on page 126. The composite variability factor for BY 1998 appears to be a weighted average using the Pool Total Costs derived by witness Van-Ty-Smith and reported in Table 1 of USPS-T-17. Please confirm that this is the case. If it is not, please provide the appropriate formula for constructing the composite.

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 the Commission's Rules of Practice.


Anne R. Noble

Washington, D.C.
January 21, 2000