

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-0001**

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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POSTAL RATE AND FEE CHANGES, 2000) Docket No. R2000-1
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**FIRST SET OF INTERROGATORIES OF
MAGAZINE PUBLISHERS OF AMERICA, INC.
TO USPS WITNESS DEGEN
(MPA/USPS-T16-1-2)**

(February 15, 2000)

Pursuant to the Commission's Rules of Practice, Magazine Publishers of American hereby submits the attached interrogatories to USPS Witness Degen (MPA/USPS-T16-1-2).

Respectfully submitted,



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**INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA
TO UNITED STATES POSTAL SERVICE WITNESS DEGEN**

MPA/USPS-T16-1. Please refer to Docket No. R97-1, Opinion and Recommended Decision, at pages 141-142, paragraphs 3178-3179, where it states:

[T]he Commission concludes that mixed mail costs in a given allied MODS pool should be distributed in proportion to the direct costs across all MODS pools, and that not handling costs in a given allied pool should be distributed on the combination of its direct costs and its redistributed mixed mail costs. It does so on the understanding that this is an interim solution to the lack of data on the true subclass distribution of mixed mail and not handling costs. The Commission agrees with witness Shew that the assumption that uncounted mixed mail costs have the same subclass distribution as direct mail costs is one that could be tested, if not systemwide, at least by spot sampling. (Tr. 28/15527-28.) It would appear that an approach similar to the one that the Postal Inspection Service used to audit MODS data could be used to audit IOCS distribution keys. Under that approach, a small number of offices could be selected for an audit and an adequate audit team provided to count all eligible mixed mail items at the selected facility. The Postal Service should also consider collecting information that identifies the presence of mail of particular shapes and subclasses in containers, even if it is not counted. It is also clear that better models of cost responsibility for allied operations are urgently needed.

Please also refer to page 65 of your testimony, where you state: "The platform study produced a relatively small sample from which to draw inferences," and to Table 8 on page 66 of your testimony.

- (a) Please confirm that the 1995 Platform Study is the only data collection that the Postal Service has performed on the subclass composition of mixed-mail costs at allied operations. If not confirmed, please describe all other studies and provide copies of the reports resulting from these studies.
- (b) How many containers comprise your "small sample from which to draw inferences"?
- (c) Please provide coefficients of variation around the class percentages for the FY95 Platform Study Distribution column of Table 8.

- (d) Please provide coefficients of variation around the subclass percentages underlying the class percentages for the FY95 Platform Study Distribution column of Table 8.
- (e) Do you believe that the 8.8 percent difference in the "Priority+Express" row between the IOCS column and the Platform Study column is because "Priority+Express" mail is more likely to be in mixed containers than in direct tallies or is simply due to sampling error in the platform study? Please explain your answer in detail. (i) If the former, please explain operationally why this would occur. (ii) If the latter, why do you believe the platform study is reliable for other classes if it is unreliable for "Priority+Express" mail?
- (f) Do you believe that the 7.4 percent difference in the "Standard (A)" row between the IOCS column and the Platform Study column is because "Standard (A)" mail is more likely to be in direct tallies than in mixed containers or is simply due to sampling error in the platform study? Please explain your answer in detail. (i) If the former, please explain operationally why this would occur. (ii) If the latter, why do you believe the platform study is reliable for other classes if it is unreliable for "Standard (A)" mail?

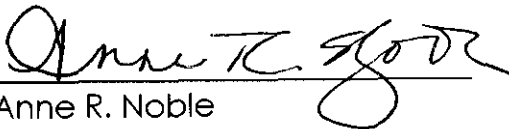
MPA/USPS-T16-2. Please refer to Docket No. R97-1, Opinion and Recommended Decision, at page 140, paragraph 3174, where it states:

The risk that witness Degen's distribution keys for allied pools suffer from the biases described above is magnified by the fact that direct costs are a small minority of the total costs in most allied pools. For example, 10 percent of the costs in the platform MODS pool are direct, while 90 percent are mixed and not handling costs. All else being equal, the risk that a 10 percent sample misrepresents the whole is much greater than the risk that a 75 percent sample misrepresents the whole.

- (a) Please confirm that in Base Year 1998, less than 10 percent of the costs in the platform MODS pool were direct. If not confirmed, what percentage of platform MODS pool costs were direct?
- (b) Please confirm that in Base Year 1998 less than 25 percent of the costs in all allied MODS pools were direct. If not confirmed, what percentage of allied MODS pool costs were direct?

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.
February 15, 2000