

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

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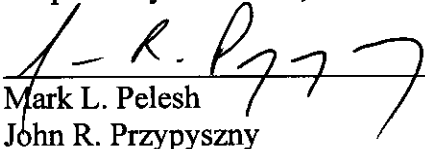
POSTAL RATE AND FEE CHANGES, 2000)

Docket No. R2000-1

**FIRST SET OF INTERROGATORIES OF
ASSOCIATION OF AMERICAN PUBLISHERS
TO USPS WITNESS TOLLEY (AAP/USPS-T6-1-18)**

Pursuant to Section 25 and 26 of the Commission's Rules of Practice and Procedure, the Association of American Publishers (AAP), hereby submits the following interrogatories and request for production of documents to USPS witness Tolley (USPS-T-6). AAP incorporates by reference the instructions in OCA interrogatories OCA/USPS-1-14 (filed January 24, 2000). If the designated witness is unable to respond to any interrogatory, we request a response by some other qualified witness.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document, by First-Class Mail, upon the participants in this proceeding.



John R. Przepyszny

Date: February 18, 2000

**INTERROGATORIES OF ASSOCIATION OF AMERICAN PUBLISHERS
TO UNITED STATES POSTAL SERVICE WITNESS TOLLEY**

AAP/USPS-T6-1 On pages 167 and 168 of your testimony, you state that “Much of this long-term growth in Bound Printed Matter (“BPM”) volume is due to the mail order boom and the expansion of the catalog industry.” Please identify and provide all studies, reports, data or other evidence that you relied upon to support this statement.

AAP/USPS-T6-2 On page 168 of your testimony, you state that the “pattern of volume growth of Bound Printed Matter is consistent with a market penetration Z-variable.”

(a) Please explain fully, with numerical examples, how volume growth in BPM is consistent with “a market penetration Z-variable.”

(b) Please explain in particular what “market” is being analyzed using a “market penetration Z-variable” for BPM.

(c) Please provide a complete explanation with supporting references of the theoretical basis you relied upon to justify his use of a “market penetration Z-variable” used for BPM.

AAP/USPS-T6-3 On page 170 of your testimony, you state that “Ultimately Sears replaced its large catalog with smaller catalogs, many of which were also sent as Bound Printed Matter.”

(a) Please identify and provide copies of all documents, studies, reports, data or other evidence relied upon to support this statement.

(b) Please state how many smaller catalogs were sent as BPM in 1996, 1997, 1998 and 1999.

AAP/USPS-T6-4 On page 170 of your testimony, you state that “Bound Printed Matter Volume experienced a sudden decline beginning in 1998q1.” Please provide an explanation for the decline. If no explanation can be provided by you, identify any other USPS witnesses who may be able to provide the explanation for the decline.

AAP/USPS-T6-5 Please identify and provide all documents, studies, reports, data or other evidence upon which you relied to conclude that the “Other Factors” described at page 171 of your testimony relate in any way to the delivery trends in catalogs you describe on pages 171 and 172 of your testimony.

AAP/USPS-T6-6 On page 171 (lines 6-7) of your testimony, you state that “One of the major components of Bound Printed Matter is catalogs weighing between one and ten pounds.” With respect to this statement:

- (a) Please list all of the other known components of BPM.
- (b) Please state the volume of BPM that consists of catalogs for each of the years 1994-1999. Include source references to support your response.
- (c) Please state the volume of BPM that consists of books for each of the years 1994-1999. Include source references to support your response.
- (d) Please state the volume of BPM that consists of components that are not catalogs and are not books for each of the five years (1994-1999). Include source references to support your response.

AAP/USPS-T6-7 Please provide the *Traffic World* and *Traffic Management* articles cited on page 171 of your testimony.

AAP/USPS-T6-8 On page 171 (lines 18-19) of your testimony you state that employment is “predicted to continue to increase in the future.” Please identify and provide all documents, studies, reports, data or other evidence that you relied upon to support this statement.

AAP/USPS-T6-9 On page 171 (lines 19-29) of your testimony, you state that “[d]espite the predicted growth in the Internet and other high tech sales media, catalog employment is still expected to increase.” Please identify and provide all documents, studies, reports, data or other evidence that you relied upon to support this statement.

AAP/USPS-T6-10 On page 3 of your testimony, you present two sets of forecasts of mail volumes, one forecast pertaining to current rates and the other to proposed rates. With respect to both forecasts for BPM:

- (a) Please provide the exact value of each forecasted variable that was used in conjunction with the USPS econometric equations to develop the Test Year Before-Rates (TYBR) and Test Year After-Rates (TYAR) forecasts for BPM sponsored by your testimony.
- (b) Please provide mathematical examples demonstrating that these values, when used in the BPM econometric equations, result in the TYBR and TYAR volumes predicted by your testimony.

AAP/USPS-T6-11 Please provide the BPM forecasting equations and BPM TYBR and TYAR forecasting values recommended by you in R97-1.

AAP/USPS-T6-12 Please provide any analyses that compare the BPM forecasting equations and predicted values for the variables in the equations with actual BPM volumes.

AAP/USPS-T6-13 With respect to the “market penetration Z-variable” for BPM, please state the causal factors which you believe have brought about changes in the value of this variable for the period 1994 through 1999.

AAP/USPS-T6-14 Please state whether and how you gave specific consideration to recent trends in electronic commerce (E-commerce) in developing econometric equations for BPM. Please identify and provide all studies, reports, data you relied upon in this regard.

AAP/USPS-T6-15 Please state whether and how you gave specific consideration to recent trends in E-commerce in developing the forecasted values used for the individual variables that appear in the econometric model of BPM in order to derive the TYBR and TYAR BPM volumes set forth in your Testimony. Please identify and provide all documents, studies, reports, data or other evidence you relied upon in this regard.

AAP/USPS-T6-16 On page 11 of your testimony you state “[t]he testimony is based on the belief that past behavior of mail volumes provides the most valuable source of information about what is likely to happen in the future, particularly if the reasons for past volume changes can be understood and used as the basis for forecasting.” With respect to this statement as it applies to your volume forecasts for BPM, please explain how you determined that the reasons for past volume changes in BPM could now be used as the basis for forecasting future BPM volumes in R2000-1. Provide any statistical tests used or relied upon in making this determination.

AAP/USPS-T6-17 On page 12 of your testimony you state that developments in electronic communications are “having both negative and positive effects on mail volumes.” With respect to this statement:

(a) Please explain whether such developments are having negative, positive or both negative and positive effects on BPM volumes.

(b) Please explain how these developments have been quantified in your equations and forecasts of TYBR and TYAR volumes for BPM.

AAP/USPS-T6-18 On page 13 of your testimony, you describe the *Household Diary Study* which gives cross-sectional data at a point in time. Please provide complete copies of the three most recent *Household Diary Studies*.

AAP/USPS-T6-19 On page 19 of your testimony you state that with respect to changes in communications that “[m]any of these changes have occurred only in the last few years, such as the growth of E-Mail and the Internet. Reliable time series data for much of this information are not available for the entire sample period used in the volume demand equations.” With respect to this statement:

(a) Please confirm that no time series data reflecting growth in E-Mail and the Internet was used or even attempted in your forecast equations for BPM.

(b) If any efforts to use any data on growth in e-mail or the Internet were used or attempted by you or other USPS witnesses, please provide the underlying data used and the results of these attempts.