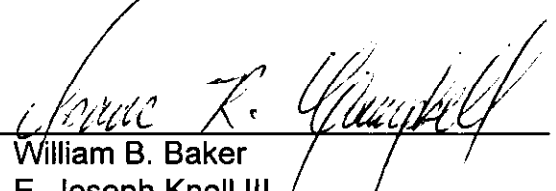| Postal Rate and Fee Changes, 2000	Docket No. R2000-1

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
THOMAS E. THRESS (NAA/USPS-T7-1-11)
March 14, 2000

The Newspaper Association of America hereby submits the attached interrogatories to United States Postal Service witness Thomas E. Thress (NAA/USPS-T7-1-11) and respectfully requests a timely and full response under oath.

Respectfully submitted,

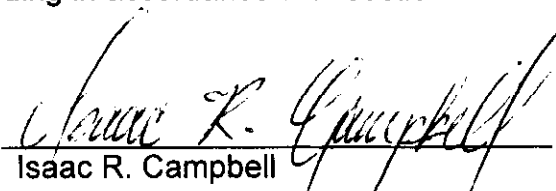NEWSPAPER ASSOCIATION OF AMERICA

By: _William B. Baker_
William B. Baker
E. Joseph Knoll III
Isaac R. Campbell
WILEY, REIN & FIELDING
1776 K Street, N.W.
Washington, DC 20006-2304
(202) 719-7255

Robert J. Brinkmann
NEWSPAPER ASSOCIATION OF AMERICA
529 14th Street, N.W.
Suite 440
Washington, D.C.
(202) 638-4792

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants requesting such service in this proceeding in accordance with section 12 of the Rules of Practice.

Isaac R. Campbell
Isaac R. Campbell

March 14, 2000

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
THOMAS E. THRESS (NAA/USPS-T7-1-11)

NAA/USPS-T7-1: Please refer to pages A-20 and A-21 of Witness Tolley's testimony, where he states that "P0 is the weighted average of deflated prices for 1999Q1 through 1999Q4... P1 is the weighted average of deflated prices for 1998Q4 through 1999Q3, P2 is the weighted average of deflated prices for 1998Q3 through 1999Q2, P3 is the weighted average of deflated prices for 1998Q2 through 1999Q1."

    a.   In your estimation, do you use the weighted average of four quarters as your price input? Please cite the source for your answer.

    b.   In your estimation, when using lags, do you use lags by quarters, i.e., one, two, or three quarter lags? Please cite the source for your answer.

NAA/USPS-T7-2: Please confirm that your First Class Workshared Letters regression does not include a cross-price elasticity with respect to Standard ECR.

    a.   If you cannot confirm, please explain why not.

    b.   Did you also estimate a regression that included the cross price elasticity with respect to Standard ECR?

    c.   If yes, please provide the results.

    d.   If not, please indicate why you did not include the cross price elasticity with respect to Standard ECR.

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NAA/USPS-T7-3: Please confirm that your Standard Regular regression

includes a cross-price elasticity with respect to First Class Letters but does not include

a cross-price elasticity with respect to Standard ECR, aside from the "Dummy for Shift

of Mail from ECR into Regular after R97-1".

        a.   If you cannot confirm, please explain why not.

        b.   Did you also estimate a regression that included the cross price elasticity with respect to Standard ECR?

        c.   If yes, please provide the results.

        d.   If no, please indicate why you did not include the cross price elasticity with respect to Standard ECR.

        e.   Why do you include the cross-price elasticity with respect to First Class Letters in your regression for Standard Regular rather than the cross price elasticity with respect to First Class Workshared Letters?

NAA/USPS-T7-4: Please confirm that your Standard ECR regression does not

include a cross-price elasticity with respect to either First Class Letters or Standard

Regular, aside from the "Dummy for Shift of Mail from ECR into Regular after R97-1."

        a.   Did you also estimate a regression that included the cross price elasticity with respect to either First Class Letters or Standard Regular?

        b.   If yes, please provide the results.

        c.   If no, please indicate why you did not include the cross price elasticities with respect to either First Class Letters or Standard Regular.

NAA/USPS-T7-5: Please confirm that you do not estimate separate equations for Standard A piece-rated and Standard A pound-rated mail in your analysis. Please indicate why you did not.

NAA/USPS-T7-6: Please confirm that you do not estimate any cross-price elasticities between Standard A piece-rated and Standard A pound-rated mail. Please confirm that as a result, you do not allow for the possibility of migration between Standard A piece-rated and pound-rated pieces.

NAA/USPS-T7-7: Please give the values and cite the source for:

a.   Your newspaper price inputs (reference your testimony page 50). What was the name of the specific BLS price series used?

b.   Your direct mail advertising delivery cost inputs (reference your testimony page 48).

c.   Your direct mail advertising technological cost inputs (reference your testimony page 48).

NAA/USPS-T7-8: Please confirm that you impose stochastic restrictions in the

following: 1) Between workshared first class letters and single piece first class letters

(see page 15 of your testimony), 2) Between Standard A regular and workshared first

class letters (see pages 17-20 and 52), 3) Between Standard A nonprofit and both

Standard A Regular and ECR subclasses (page 53), and 4) Between Standard Regular

and Standard ECR (page 53).

a. If you do not confirm any of the above, please explain why not.

b. Please confirm that for restriction 1) above, you decided to freely estimate
    the beta in the workshared equation and impose the stochastic restriction
    in the single piece equation, based on a t-statistic test. If you cannot
    confirm, please explain why not.

c. What basis is there for choosing the estimation in the way described in
    (b), rather than freely estimating the beta in the single piece equation and
    imposing the stochastic restriction in the workshared equation?

d. For restriction 2), you make the statement on page 20 that the standard
    errors are estimated "such that these cross-price elasticity estimates have
    implicit t-statistics of 3.633." Please explain what you mean by "implicit t-
    statistics".

e. For restriction 3), you state that the "coefficient on this dummy variable is
    freely estimated in the Standard bulk nonprofit equation, and is
    stochastically constrained within the Standard Regular and ECR
    equations." Why did you choose to do it this way rather than the other
    way around?

f. For restriction 4), you state that the "coefficient on this variable is freely
    estimated in the Standard ECR equation and is stochastically constrained
    in the Standard Regular equation." Why did you choose to do it this way
    rather than the other way around?

g. Again for restriction 4), what impact does including a dummy have when
    this model is used to forecast? Can the model take into account relative
    differences in proposed rates between Standard A Regular and ECR?

NAA/USPS-T7-8: Please refer to your testimony page 111, where you state "If, however, one's goal is to obtain the best possible estimate for each individual coefficient..." What does "best possible" mean? How are you determining "best possible"?

NAA/USPS-T7-9: Please refer to your testimony page 59, Table II-11, where you find that the total Standard ECR own-price elasticity is equal to –0.808, and also to your testimony in R97-1, Table II-15, where you find that the total Standard ECR own-price elasticity is equal to –0.598. Does this change reflect a structural shift in the elasticity in the more recent time period, or does it reflect inherent randomness in the data used for estimation? Please explain.

NAA/USPS-T7-10. Please refer to page 48, lines 1-12 of your testimony. Is there any correlation between the price of newspaper advertising and:

a. Delivery costs

b. Technological costs

Please explain.

NAA/USPS-T7-11. Please refer to page 50, lines 11-13, of your testimony.

a. Please confirm that Standard (A) mail competes with radio and television advertising. If you cannot confirm, please explain why not.

b. Please confirm that you have not explicitly modeled substitution between Standard (A) mail and radio and television advertising.

c. Have you made any adjustment to your model to account for the absence, in this year's model, of any explicit factor for radio and television advertising.