

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

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OFFICE OF THE SECRETARY

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POSTAL RATE AND FEE CHANGES, 2000  
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) Docket No. R2000-1  
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**SECOND SET OF INTERROGATORIES OF  
MAGAZINE PUBLISHERS OF AMERICA, INC.  
TO USPS WITNESS BOZZO  
(MPA/USPS-T15-9-11)**

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**(MARCH 17, 2000)**

Pursuant to the Commission's Rules of Practice, Magazine Publishers of America hereby submits the attached interrogatories to USPS Witness Bozzo (MPA/USPS-T15-9-10).

Respectfully submitted,



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**SECOND SET OF INTERROGATORIES OF  
MAGAZINE PUBLISHERS OF AMERICA, INC.  
TO USPS WITNESS BOZZO**

**MPA/USPS-T-15-9.** Please refer to your testimony at page 136, lines 11-14 and footnote 70, where you state that the analysis in Witness Degen's testimony "suggests that the operational basis for reduced volume-variability factors (relative to the IOCS-based method) is at least as strong for allied operations as for sorting operations" and "also indicates that allied operations should be expected to have lower volume-variability factors than sorting operations." Please refer further to your testimony at page 126, Table 9, where you provide your econometrically derived volume-variable factors for 10 MODS cost pools. Finally, please refer to Witness Van-Ty-Smith's testimony (USPS-T-17) at page 24, Table 1, which provides the volume-variable factors used by the Postal Service for the cost segment 3 cost pools.

a. Out of the set of MODS cost pools for which you provide econometrically derived volume-variable factors in Table 9, please state the subset of cost pools that are for sorting operations. Please further provide a composite econometrically derived volume-variable factor for these sorting operation cost pools. (To calculate this composite, please use the same methodology that you used to calculate the composite volume-variability factor given in Table 9 of your testimony.)

b. Please state the set of mail processing cost pools that are for allied operations for which you have not provided econometrically derived volume-variable factors in your testimony.

c. For the allied operation cost pools listed in (b), please confirm that the volume-variable factors provided in Table 1 of USPS-T-17 are derived using the "IOCS-based method" to which you refer on page 136 of your testimony. If not confirmed, please explain.

d. For the allied operation cost pools listed in (b), please confirm that the volume-variable factors provided in Table 1 of USPS-T-17 are larger than the econometric composite volume-variable factor for the sorting operation cost pools derived in (a).

e. Please confirm that the use of allied operation volume-variable factors that are larger than sorting operation volume-variable factors is inconsistent with the operational analysis of Witness Degen, which "indicates that allied operations should be expected to have lower volume-variability factors than sorting operations." If not confirmed, please explain.

**MPA/USPS-T-15-10.** Please refer to your answer to MPA/USPS-T-15-4, where you were requested to "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."

a. Are there any analogous pairings between Function 1 and BMC operations, "for which there are similar factors that are consistent with lower volume-variability factors"? Please identify any such analogous pairings.

b. Please refer further to your testimony at page 135 where you state: "I believe Dr. Bradley's models represent a much more accurate method for estimating the volume-variable costs in BMC operations than the IOCS-based method." You describe at page 135 of your testimony the data limitations that led you to exclude BMC operations from your econometric analyses of volume-variable factors. As a result, there are no econometric estimates for BMC cost pools for R2000-1 that are comparable to Dr. Bradley's for R97-1. In the absence of such econometric estimates, it would be possible to use the analogous pairings between Function 1 and BMC operations listed in (a) to obtain Function 1 volume-variable factors that could be applied to analogous BMC operations. In your opinion, would the use of such analogous econometric volume-variable factors also be a "more accurate method for estimating volume-variable costs in BMC operations than the IOCS-based method"?

**MPA/USPS-T-15-11.** Please refer to your answer to MPA/USPS-T-15-4, where you were requested to "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." Please refer also to Witness Van-Ty-Smith's testimony USPS-T-17, at Table 1, which provides the volume-variable factors used by the Postal Service for the cost segment 3 cost pools.

a. For each entry in the "Analogous Function 1 cost pool(s)" column of your answer to MPA/USPS-T-15-4, please provide the volume-variability factor of the associated Function 1 cost pool(s). In cases where you have supplied multiple analogous Function 1 cost pools, please provide a composite volume-variability factor that weights the individual analogous Function 1 cost pools in an appropriate way, and please also explain the weighting procedure used.

b. For each of the Function 4 and Non-MODS cost pools listed in your answer to MPA/USPS-T-15-4, please state whether you believe that the volume-variable factor provided in Table 1 of USPS-T-17 is a better or a worse estimate of the true volume-variable factor when compared to the volume-variable factors from the analogous Function 1 cost pools provided in (a). In each case, please explain how your belief is justified by the best currently available knowledge of these Function 4 and Non-MODS cost pools.

**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.  
March 17, 2000