

**THIRD SET OF INTERROGATORIES
OF MAGAZINE PUBLISHERS OF AMERICA, INC.
TO USPS WITNESS BOZZO (MPA/USPS-T15-12-13)**

MPA/USPS-T15-12. Please refer to your Testimony at page 35, where you state: “the fixed effects capture those unobserved cost-causing factors that are constant (or fixed) over the sample period for the sites.” Please further refer to your Testimony at pages 122-124 where you discuss the specification tests you conducted in relation to the fixed effects, random effects, pooled, and between models. Please further refer to Witness Degen’s testimony (USPS-T-16) at page 22, where he states: “Plants in large urban areas tend to be less efficient than smaller plants” Please further refer to Witness Degen’s testimony (USPS-T-16) at pages 22-23, where he states: “the scarcity of large building sites and high land prices in large urban areas require plants to be in less efficient multi-story facilities.” Please further refer to Witness Degen’s testimony (USPS-T-16) at page 23, where he states: “ . . . the skill mix and discretionary effort of the workforce may vary with the relative wage level being paid by a plant. . . . Postal Service wages are less competitive, relative to private sector wages, in high-cost areas.” Please further refer to Witness Bradley’s rebuttal testimony (R97-1 USPS-RT-5) at page 33, where he states: “Data exist for three characteristics of facilities, their age, the number of mail processing square feet contained in the facility and the number of floors that perform mail processing.” Finally, please refer to USPS-LR-I-107 where you provide the mail processing facility data file REG9398.XLS.

a. Please confirm that the pooled and between model specifications do not include any variables that control for the urban or non-urban location of mail processing facilities.

b. Please provide an update of the REG9398.XLS data file that includes an urban dummy variable for the location of each facility. Please construct this dummy variable to indicate facilities located in or adjacent to major metropolitan areas, as measured by the population size of the relevant metropolitan area and reported in the latest issue of the *Geographical Reference Report* (Economic Research Institute, Redmond WA), or in a substantially similar source. Please use a population cutoff for determining the urban dummy value that appropriately captures the meaning of the term “large urban areas” as used by Witness Degen. Please further explain your choice of population cutoff.

c. Please provide an update of the REG9398.XLS data file that includes a field with the population density of the place (city, town,

village, or county) where the street address of each facility is located, as indicated in the latest issue of the *Geographical Dictionary* (Merriam-Webster, Springfield MA), or in a substantially similar source. If an individual "facility" encompasses multiple street addresses in different places, please use the address corresponding to the location where the greatest amount of mail processing occurs.

d. Please confirm that the pooled and between model specifications do not include any variables that control for the number of floors of mail processing facilities.

e. Please provide an update of the REG9398.XLS data file that includes a field giving the number of floors that perform mail processing in each facility. If an individual "facility" encompasses multiple buildings, please use the number of floors that perform mail processing corresponding to the building where the greatest amount of mail processing occurs.

f. Please confirm that the pooled and between model specifications do not include any variables that control for the age of mail processing facilities.

g. Please provide an update of the REG9398.XLS data file that includes a field giving the year of construction of each facility. If an individual "facility" encompasses multiple buildings that were constructed in different years, please use the construction year corresponding to the building where the greatest amount of mail processing occurs.

h. Please confirm that the pooled and between model specifications do not include any variables that control for the level of private sector wages in the area where the facility is located.

i. Please provide an update of the REG9398.XLS data file that includes a field giving the average annual pay for the area where each facility is located, as indicated by the Bureau of Labor Statistics. If the facility is located in or adjacent to a metropolitan area, the average annual pay for the metropolitan area may be used for that facility. If the facility is not located in a metropolitan area, the average annual pay for the state where the facility is located may be used for that facility.

j. Please confirm that the pooled and between model specifications do not include any variables that control for the cost of living in the area where the facility is located.

k. Please provide an update of the REG9398.XLS data file that includes a field giving the cost of living for the area where each facility is located. Please use the cost of living index compiled by the American Chamber of Commerce Research Association (ACCRA) for the metropolitan area that is closest to each facility. If available, a substantially similar cost of living index defined for metropolitan areas may be substituted for the ACCRA index.

MPA/USPS-T15-13. Please refer to your Testimony at page 137, where you state: "The use of volumes from sorting operations as allied labor cost drivers has an operational foundation, since one purpose of the allied labor operations is to prepare mail for sorting in the facility, and to prepare mail that has been sorted for shipment to other facilities." Please refer further to your Testimony at page 138, where you state: "In general, the results from models enhanced with these additional data indicated that Dr. Bradley's 'proxy' cost drivers—the volumes from piece sorting operations—still provided the bulk of the explanatory power." Finally, please refer to your analyses of allied operations provided in response to MPA/USPS-T-15-1.

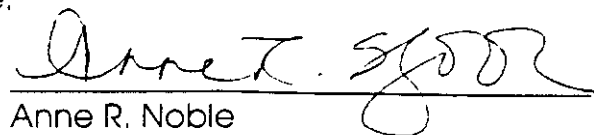
a. Please confirm that the TPH data for the .OCR, LSM, BCS, FSM, Manual Letters, and Manual Flats cost pools provide the bulk of the explanatory power for the regressions you performed for the Opening Unit—Preferred, Opening Unit—BBM, Platform, and Pouching Operations cost pools.

b. Please confirm that volumes at the piece-sorting operations listed in (a) are either the true drivers of a portion of allied costs or good proxies for the true drivers of a portion of allied costs.

c. Please confirm that the econometric evidence developed in this case cannot determine whether volumes at the piece-sorting operations listed in (a) are the true cost drivers of a portion of allied costs or simply good proxies for the true cost drivers of a portion of allied costs.

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 DC
March 23, 2000