

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS HUNTER TO INTERROGATORIES OF
THE NATIONAL NEWSPAPER ASSOCIATION
(NNA/USPS-T5-31-39)

The United States Postal Service hereby provides the responses of witness Hunter to the following interrogatories of the National Newspaper Association: NNA/USPS-T5-31-39, filed on March 23, 2000. While objections to interrogatories NNA/USPS-5-36, 39 were filed on April 3, 2000, a response to part (k) is being provided at this time, and additional responses will be provided at a later time.

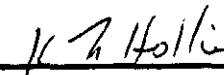
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Kenneth N. Hollies

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NNA/USPS-T5-31. Please refer to the response to NNA/USPS-5, which provides a table giving the number of PERMIT offices by Cost Ascertainment Group. Please further refer to the response to NNA/USPS-6, which provides a table giving the number of non-automated offices by Cost Ascertainment Group. Finally, please refer to USPS-LR-I-230, Appendix A, at page 3, which provides a table with the subtitle of "PQI-FY95 2C CENSUS REVENUES BY STRATUM."

- a. Please confirm that there were 2,025 PERMIT offices in FY98. If not confirmed, please provide the total number of PERMIT offices in FY98 and please explain the discrepancy with the response to NNA/USPS-5.
- b. Please confirm that there were 26,184 non-automated offices in FY98. If not confirmed, please provide the total number of non-automated offices in FY98 and please explain the discrepancy with the response to NNA/USPS-6.
- c. Please confirm that the table on page 3 of Appendix A of USPS-LR-I-230 provides information on the panel of non-automated offices for the Periodicals category of mail. If not confirmed, please provide an exact reference to the table in USPS-LR-I-230 with this information.
- d. Please provide the meaning of the following column headings used in the table on page 3 of Appendix A of USPS-LR-I-230: RI, RC, RN, RR, RF, RU, and R.
- e. Please confirm that the table on page 3 of Appendix A of USPS-LR-I-230 lists 3 strata for PERMIT offices (strata 1 .1, 1.8, and 1.9) and 6 strata for non-automated offices (strata 2.1, 2.2, 2.3, 2.4, 2.5, and 3.0). If not confirmed, please provide a list of the PERMIT and non-automated strata listed on this table.
- f. Please provide the definitions of the 9 strata referenced in (e). These definitions should include precise values for the defining revenue ranges.
- g. Please confirm that the 3 PERMIT strata included on the table on page 3 of Appendix A of USPS-LR-I-230 represent observations for a population of 1,663 offices. If not confirmed, please explain.
- h. Please explain the discrepancy between the number of PERMIT offices listed in (a) and the number of PERMIT offices listed in (g).
- i. Please confirm that the 6 non-automated strata included on the table on page 3 of Appendix A of USPS-LR-I-230 represent observations for a population of 6,103 offices. If not confirmed, please explain.
- j. Please explain the discrepancy between the number of non-automated offices listed in (b) and the number of non-automated offices listed in (i).
- k. Please confirm that the 6 non-automated strata included on the table on page 3 of Appendix A of USPS-LR-I-230 are represented by a combined sample of 25 non-automated offices. If not confirmed, please explain.

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RESPONSE.

- a-b. I understand these counts to be correct.
- c. Confirmed.
- d. These column headings are the survey revenue variables associated with the In-County, Classroom, Nonprofit, Regular, Foreign, unassigned and total categories, respectively.
- e. Confirmed.
- f. The Strata 1.1, 1.8 and 1.9 categories identified PERMIT System offices, planned PERMIT System office additions, and offices not yet fully on-line at the time of the survey, respectively. The latter two categories served to update the survey with information that had since become available. The Strata 2.1 through 2.5 were constructed based on the following ranges of In-County revenue, in reverse (descending) order respectively: 1-599, 600-1399, 1400-2999, 3000-7299, and 7300 and greater. Stratum 3.0 represented any remaining offices.
- g. Confirmed.
- h. There is no discrepancy. The counts represent two points in time.
- i. Confirmed.
- j. See my response to part (h).
- k. Not confirmed. Some sampled offices are automated as explained on page 2 of USPS-LR-I-26/R2000-1. In addition, the panel for the

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**Periodicals mail category for the FY 1998 period is of size 2,050 offices
and represents both segments of the population.**

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NNA/USPS-T5-32. Please state the number of offices within the samples of non-automated offices referred to in USPS-LR-1-230 that failed to supply data or were non-responsive to requests for data for any time relevant to the RPW reports used in this docket. If the number is 1 or greater, please explain any proxies or changes in blow-up factors that you may have used to compensate for a response [sic].

RESPONSE. Each panel office used in the BRPW for the Periodicals mail category reports their data each AP, or 13 times a year. Unless the system administrator determines that an extenuating circumstance exists, non-response is not allowed and no exceptions are made. For the FY 1998 period, only one panel office was unable to meet the reporting deadline for the full postal quarter and missed one AP period. Accordingly, the data received from this office for the other two AP's of the affected postal quarter were expanded by a factor of 1.5 as constructed from the reciprocal of the ratio 2/3.

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NNA/USPS-T5-33. Please respond to the following with respect to the process by which you construct the strata for non-automated offices.

- a. Please confirm that the strata developed for Within County data from non-automated offices are constructed by use of total revenue figures for Periodicals mail.
- b. Is the account identifier code only AIC 135 or is another account also involved?
- c. Does the Postal Service have an account identifier code for within county revenues? If so, please supply it.
- d. If your response to (c) above is yes, please explain why you do not construct strata for within county revenue piece and weight data solely through use of this code.
- e. If your response to (c) above is no, please explain how the revenue figures reported in RPW are calculated.

RESPONSE.

- a. Not confirmed.
- b. The AIC 135 revenue account is the only account used for Periodicals mail for the FY 1998 period.
- c-e. No explicit AIC revenue account existed for the In-County mail category for the FY 1998 period. Historically, the In-County revenue information has been obtained by means of a survey. This survey information is used as explained in USPS-LR-I-230/R2000-1 to construct the sampling strata for the current panel used for the FY 1998 period. See also my response to NNA/USPS-T5-31(f). Effective mid year FY 1999, a revenue account labeled AIC 224 was defined; it is not yet fully established.

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NNA/USPS-T5-34. Please refer to USPS-LR-I-230, Appendix A, at page 3, which provides a table with the subtitle of "PQI-FY95 2C CENSUS REVENUES BY STRATUM." Please further refer to tables 1, 2, and 3 of your testimony, which provide estimates of revenue, pieces, and weight, respectively.

- a. Please provide separate estimates of revenue, pieces, and weight for each of the 6 non-automated strata listed in NNA/USPS-T5-32(e) for Periodicals subclasses In County, Regular, Nonprofit, and Classroom for both FY98 and FY99. Please further provide the associated coefficients of variation for each of these estimates.
- b. For each of the separate stratum estimates of revenue, pieces, and weight in a), please provide four separate quarterly estimates for each of the two years requested. Please further provide the associated coefficients of variation for each of these estimates.

RESPONSE. The requested information is not needed or required to develop the estimates of revenue and volume totals provided in my testimony.

Additionally, the data are not available and are not readily determined without additional resources. A response to this interrogatory, however, will be provided when resources become available.

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NNA/USPS-T5-35. Please refer to your response to UPS/USPS-T5-11. Please provide for the base year in Docket R97-1 and separately for Base Year FY 98 in this case the proportion of usable records from PERMIT and non-automated offices for within-county mail.

RESPONSE. The requested information is not needed or required to develop the estimates of revenue and volume totals provided in my testimony. Additionally, the data are not available and are not readily determined without additional resources. A response to this interrogatory, however, will be provided when resources become available.

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NNA/USPS-T5-36. Please refer to USPS-LR-I-26 at page 2, which describes the sampling procedure used to define the strata for the BRPW panel. In particular, please refer to the sentence that states: "For each mail category, the panel is selected by first grouping non-zero targeted or auxiliary revenue variable reporting offices among four to six strata using the CUM [square-root] f rule (cumulative frequency distribution) and revenue level (size) information obtained from a revenue account or survey." In the following subparts of this interrogatory, please interpret the terms "offices" and "revenue" as they are used in this sentence.

- a. For each year from FY86 to FY99, please provide the total number of offices.
- b. For each year from FY86 to FY99, please provide total Periodicals revenue.
- c. For each year from FY86 to FY99, please provide the total number of offices that have zero Periodicals revenue for that year.
- d. For each year from FY87 to FY99, please provide the total number of offices that have zero Periodicals revenue for both that year and the previous year.
- e. For each year from FY87 to FY99, please provide the total number of offices that have both zero Periodicals revenue for that year and non-zero Periodicals revenue for the previous year.
- f. For each year from FY87 to FY99, for the offices identified in (e) with zero Periodicals revenue for that year and non-zero Periodicals revenue for the previous year, please provide total Periodicals revenue for the previous year.
- g. For each year from FY87 to FY99, please provide the total number of offices from (a) that have both non-zero Periodicals revenue for that year and zero Periodicals revenue for the previous year.
- h. For each year from FY87 to FY99, for the offices identified in (g) with non-zero Periodicals revenue for that year and zero Periodicals revenue for the previous year, please provide total Periodicals revenue for that year.
- i. For each year from FY87 to FY99, please provide the total number of offices from (a) that have positive Periodicals revenue for both that year and the previous year.
- j. For each year from FY87 to FY99, for the offices identified in (i) with positive Periodicals revenue for both that year and the previous year, please provide total Periodicals revenue for both that year and the previous year.
- k. Please explain how the sampling procedure described on page 2 of USPS-LR-I-26 accounts for Periodicals mail from the offices identified in (g) with non-zero Periodicals revenue for that year and zero Periodicals revenue for the previous year.

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RESPONSE. An objection to this interrogatory was filed but responsive information to part (k) is being made available today and additional information will be forthcoming.

- k. The estimator used in the BRPW for mail categories associated with a known AIC revenue total is discussed in the statistical system documentation provided in USPS-LR-I-26/R2000-1. The estimator accounts for changes in Periodicals activity in either direction within the life of the supplemental panel. For added protection, the panel is updated periodically.

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NNA/USPS-T5-37. Please refer to USPS-LR-I-230, Appendix A, at page 3, which provides a table with the subtitle of "PQI-FY95 2C CENSUS REVENUES - BY STRATUM." Please confirm that this table applies to FY98 and not to FY95, as is suggested by the subtitle.

RESPONSE. Not confirmed. The title above the subtitle references the FY 1996 period.

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NNA/USPS-T5-38. Please refer to USPS-LR-I-230, Appendix A, at page 3, which provides a table with the subtitle of "PQI-FY95 2C CENSUS REVENUES - BY STRATUM." For each of the 9 strata in the table, please provide the total number of sampled offices that reported non-zero in-county volume in FY98.

RESPONSE. The information required to partition the current automated office segment into three strata is no longer available. However, there were 1,643 PERMIT System offices in this segment that reported non-zero In-County revenue for the FY 1998 period. The non-automated office strata match the counts shown in the NHSAMP column, except for stratum 2.5 which had one office with no In-County revenue for the FY 1998 period.

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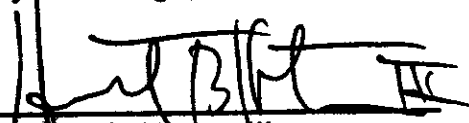
NNA/USPS-T5-39. Please refer to USPS-LR-I-230, Appendix A, at page 3, which provides a table with the subtitle of "PQI-FY95 2C CENSUS REVENUES - BY STRATUM." Please further refer to the 3 strata for PERMIT offices and the 6 strata for non-automated offices listed in NNA/USPS-T-32(e). Please further refer to your response to NNAIUSPS-T5-4, where you provide In-County volume estimates from FY86 through FY98. Finally, please refer to your response to NNAIUSPS-T5-5, where you state: "My understanding is that the underlying methodology used to construct the estimates of In-County volume, wherein postage statement data are obtained from a probability based sample of post offices to supplement the data obtained from a certainty segment, is essentially unchanged over the twelve-year period . . ."

- a. For each year from FY86 to FY97, please provide the blowup factors used for each of the 9 strata included in the referenced table from USPS-LR-I-230.
- b. For each year from FY86 to FY97, please provide the sample size for each of the 9 strata included in the referenced table from USPS-LR-I-230.
- c. For each year from FY86 to FY97, please provide the sample mean for the number of pieces of In-County mail for each of the 9 strata included in the referenced table from USPS-LR-I-230.

RESPONSE. An objection to this interrogatory was filed but some responsive information will be forthcoming.

DECLARATION

I, Herbert B. Hunter III, hereby declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.



Herbert B. Hunter III

Date: April 6, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

K N Hollies

Kenneth N. Hollies

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April 6, 2000