

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

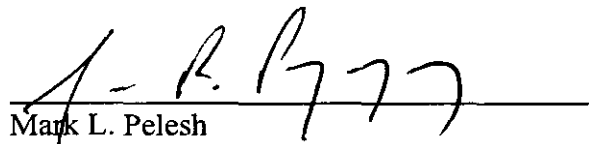
Docket No. R2000-1

**RESPONSE OF ASSOCIATION OF AMERICAN PUBLISHERS
WITNESS STEPHEN SIWEK TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE
(USPS/AAP-T2-1-4)**

The Association of American Publishers hereby provides the responses of witness Stephen Siwek to the following interrogatories of the United States Postal Service: USPS/AAP-T2-1-4, filed on June 2, 2000.

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

Respectively submitted,



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RESPONSE OF ASSOCIATION OF AMERICAN PUBLISHERS WITNESS
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USPS/AAP-T2-1.

Please refer to your testimony at page 18, lines 14-15, where you say “strata four’s volume, and hence the total population volume, is measured with error. Instead of the true stratum proportions, the report used estimated weights that bias the estimate of the population mean.”

- a. Please describe in detail your understanding of the nature of this measurement error.
- b. Please describe in detail how this measurement error generates bias in the estimate of the population mean.

RESPONSE

- (a) As noted in my testimony, the measurement error occurs because the total population volume for stratum four is not known. Instead, an estimate of that population is used which is based on stratum four’s total annual revenue and on the ratio of revenue per piece in other strata. The use of an estimate for piece volumes rather than actual piece volumes gives rise to the measurement error.
- (b) In LR-I-109, sampled pieces are inflated to national totals using inflation factors that are based on the ratio of population totals to sample totals. As noted above, in the case of stratum four, the inflation factor is measured with error. As a result, the inflated volumes include an added component that is proportional to the difference between the actual and estimated inflation factor. Although the estimated sample proportions for stratum four would provide an unbiased estimate of the population proportions, the mean values of the

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RESPONSE TO USPS/AAP-T2-1 (CONTINUED)

inflated volumes will not equal the population means. For this reason, the result of the USPS's procedure cannot be called unbiased.

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USPS/AAP-T2-2.

Please refer to your testimony at page 18, lines 23-26, where you say “the inflated means are the product of the 1999 sample mean times the 1998 inflation factor times the difference between the 1998 and 1999 inflation factors. This last term introduces a systematic bias that is not explicitly treated in the report.” Please describe in detail the nature of the systematic bias introduced by this “last term.”

RESPONSE

Adjusting 1999 sample pieces with 1998 inflation factors is equivalent to multiplying 1998 national pieces by 1999 sample proportions. This procedure would give an unbiased estimate of 1998 totals for a given category only if the 1999 population proportions were identical to the 1998 population proportions. In practice, one would expect that there are year-to-year variations in the distribution of pieces so that the 1999 ratios are proportional to the 1998 ratios plus a deviation or error term. This deviation, which accounts for year-specific factors, would not disappear with alternative draws of the 1999 survey. Although the estimated proportions would provide an unbiased estimate of the 1999 population proportions, they do not constitute an exact measure of the 1998 proportions, which is the year of interest. Since no adjustment was made for year-to-year variations, the 1998 proportions are measured with error which leads to a systematic bias in the estimate.

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USPS/AAP-T2-3.

Please provide the workpapers supporting the rate schedule shown in your Attachment 4 (AAP-T-2, Attachment 4, Table 2, Page 1), similar to those provided in your Attachment 7 to support the proposed rates in your Attachment 6.

RESPONSE

The workpapers supporting the rate schedule shown in Attachment 4, Table 2, Page 1 are provided in a separate Library Reference filed by AAP, AAP-LR-1.

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USPS/AAP-T2-4.

Please refer to the following table:

RATE INCREASES FOR BPM MAIL CURRENTLY PAYING LOCAL
RATES THAT WOULD BE ENTERED AT VARIOUS D8CF RATES

		Mr. Siwek's		Percentage	Percentage
	Current	Proposed	Mr. Siwek's	Change from	Change from
	Local	DSCCF Rates	Attachment 4	Column (b) to	Column (b) to
Pounds	Rates	(Attachment 6)	DSCCF Rates	Column (c)	Column (d)
(a)	(b)	(c)	(d)	(e)	(f)
1.5	0.582	0.709	0.829	21.8%	42.4%
2.0	0.596	0.722	0.846	21.1%	41.9%
2.5	0.610	0.735	0.664	20.5%	41.6%
3.0	0.624	0.748	0.881	19.9%	41.2%
3.5	0.638	0.761	0.899	19.3%	40.8%
4.0	0.652	0.774	0.916	18.7%	40.5%
4.5	0.666	0.787	0.934	18.2%	40.2%
5.0	0.680	0.800	0.951	17.6%	39.9%
6.0	0.708	0.826	0.986	16.7%	39.3%
7.0	0.736	0.852	1.021	15.8%	38.7%
8.0	0.764	0.878	1.056	14.9%	38.2%
9.0	0.792	0.904	1.091	14.1%	37.8%
10.0	0.820	0.930	1.126	13.4%	37.3%
11.0	0.848	0.956	1.161	12.7%	36.9%
12.0	0.876	0.982	1.196	12.1%	36.5%
13.0	0.904	1.008	1.231	11.5%	36.2%
14.0	0.932	1.034	1.266	10.9%	35.8%
15.0	0.960	1.060	1.301	10.4%	35.5%

- (a) Please confirm that the rates shown in column (b) of the table represent the current rates payable by Basic Presorted Bound Printed Matter entered at the Local rate for mail pieces having the weights shown in the column (a). If you do not confirm, please explain.
- (b) Please confirm that the rates shown in column (c) of the table are the rates that Basic Presorted Bound Printed Matter mail pieces having the weights shown in column (a)

would pay if your proposed DSCF rates were recommended by the Postal Rate commission and implemented by the Postal Service Board of Governors. If you do not confirm, please explain.

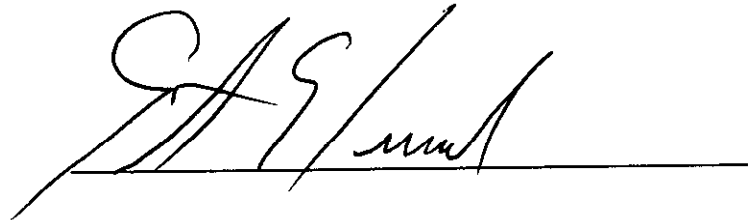
- (c) Please confirm that the rates shown in column (d) of the table are the rates that Basic Presorted Printed Matter mail pieces having the weights shown in column (a) would pay if the Attachment 4, Table 2, DSCF rates were recommended by the Postal Rate Commission and implemented by the Postal Service Board of Governors.
- (d) Please confirm that the percentage increases in column (e) of the table represent the percentage increases between the rates in column (b) and the rates in column (c).
- (e) Please confirm that the percentage increases shown in column (f) of the table represent the percentage increases between the rates in column (b) and the rates in column (d).

USPS/AAP-T2-4 RESPONSE

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) Confirmed.
- (e) Confirmed.

DECLARATION

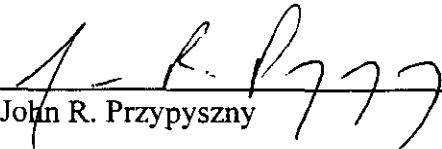
I, Stephen Siwek, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "S Siwek", is written over a horizontal line.

Dated: 6/18/00

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.



John R. Przepyszny

Washington, D.C.
June 19, 2000