

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

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POSTAL RATE AND FEE CHANGES, 2000

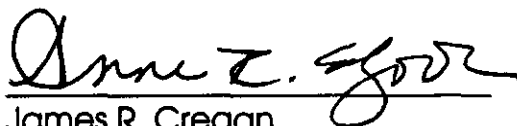
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Docket No. R2000-1

**RESPONSE OF MAGAZINE PUBLISHERS OF AMERICA, INC.
WITNESS NELSON TO THIRD SET OF INTERROGATORIES
OF THE UNITED STATES POSTAL SERVICE
(USPS/MPA-T3-18-31)**

(JUNE 28, 2000)

Magazine Publishers of America, Inc. hereby provides the responses of witness Nelson to the following interrogatories of the United State Postal Service: USPS/MPA-T3-18-31, filed on June 14, 2000. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,



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**RESPONSE OF MAGAZINE PUBLISHERS OF AMERICA, INC. WITNESS NELSON
TO THIRD SET OF INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/MPA-T3-18. Please confirm that the following header appears on all of the SAS logs and listings in Workpaper WP-1, Workpaper WP-2 and Workpaper WP-3. If you do not confirm, please provide the corrected version of the header.

DISCLAIMER-THESE RESULTS WERE DEVELOPED THOROUGH ADAPTATION OF THE PROGRAMS SUPPLIED IN USPS-LR-1-84. THOSE PROGRAMS CONTAIN COMMENTS AND LABELS THAT APPEAR HEREIN, BUT MAY NOT ACCURATELY DESCRIBE THE MODELS CONTAINED IN THIS WORKPAPER.

Response:

Confirmed.

USPS/MPA-T3-19. Confirm that the Postal Service generally pays for service on a regular purchased highway contract according to an annual rate. If you do not confirm, please explain your use of the HCCS variable "ANNUAL COST."

Response:

I can neither confirm nor deny the stated assertion. In the context of my econometric analysis of purchased highway transportation costs, my use of the "Annual Cost" variable from HCSS is intended to obtain cost information that corresponds to the annual mileage information presented for each contract.

USPS/MPA-T3-20. Refer to Workpaper WP-4, page 1. There you state that the "cost per run" outlier cutoffs "reflect a priori bounds on plausible unit pricing levels." Confirm that these cutoffs were selected before review of the individual data points. If you do not confirm, please provide your meaning for the term, "a priori."

Response:

Confirmed.

USPS/MPA-T3-21. Please confirm the you did not test the presence of heteroskedasticity in any of your estimated regressions. If you do not confirm, please indicate the location in you workpapers where the tests were performed.

Response:

Confirmed.

USPS/MPA-T3-22. Confirm that you have presented all regressions that you estimated (or had estimated under your supervision) on the HCSS data. If you do not confirm:

- a. Provide SAS logs and listings for all equations that you did not present in your workpapers.
- b. For each regression, provide a justification why that regression was not presented.

Response:

Confirmed.

USPS/MPA-T3-23 Workpaper WP-4, page 1, provides a list of the criteria used to identify "outliers."

- a. Please provide a listing (including an electronic spreadsheet version) of all observations omitted from subsequent regressions because they were identified by you as an "outlier." For each observation, include the HCRID, the cost segment (route part) and the values for cost, cost per cubic foot-mile, cost per mile, route length, and cubic foot miles.
- b. For each regression that you estimated, please provide the number of observations that were omitted due to elimination of outliers.
- c. Confirm that you did not run the regressions with the "outliers" included. If you do not confirm, please provide specific citations to the locations in you workpapers of where the regressions with outliers included appear.
- d. Confirm that you have presented no empirical evidence of the effect on the regression results. f (sic) eliminating the outliers (sic) If you do not confirm, please provide the location in your workpapers where the evidence appears.

Response:

- a. I do not have such a listing, and did not rely upon one in my analysis. Descriptive information regarding the observations I excluded as outliers is contained in the SAS output listing for each model estimated. See my workpapers WP-1, WP-2 and WP-3.
- b. The requested information is contained in the SAS output listing for each model estimated. See my workpapers WP-1, WP-2 and WP-3.
- c. Confirmed.
- d. Confirmed. The outliers were not excluded on the basis of their effect on the regression results.

USPS/MPA-T3-24. Please provide a definition of the term "outlier" as you use it in Workpaper WP-4.

Response:

Observations drawn from data that likely are bad or reflective of anomalous operating circumstances.

USPS/MPA-T3-25. Please confirm that you did not adjust any of your regression equations for heteroskedasticity. If you do not confirm, please indicate the location in your workpaper that the adjustments are made.

Response:

Confirmed.

USPS/MPA-T3-26. Please confirm that you did not perform any F-tests for the statistical significance of higher order terms in your "log-log" regressions. If you do not confirm please provide the location in you workpapers where those statistical tests are performed.

Response:

Confirmed. There are no such terms in my log-log models.

USPS/MPA-T3-27. Please refer to line 132 of the SAS log entitled "Plant Load Equation—SAS LOG" in Workpaper WP-3.

- a. Confirm that there is a syntax error in line 132 and that SAS printed out the following error message: "The SAS system stopped processing this step because of errors." If you do not confirm, please provide the correct version of the error message.
- b. Please confirm that this part of the SAS program was potentially eliminating observations to create two data sets, one entitled "PLANT2" and one entitled "MISS." If you do not confirm, please explain the purpose of the SAS data step.
- c. Please confirm that following line 136 that SAS log contains the following error message:

The data set "WORK.PLANT2 may be incomplete."

If you do not confirm, please provide the correct error message.

Response:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.

USPS/MPA-T3-28. Please refer to line 131 of the SAS log entitled "Plant Load Equation—SAS LOG" in Workpaper WP-3.

Explain the meaning of the following comment statement:
"NOTE: SCL source line."

Response:

Unknown.

USPS/MPA-T3-29. Please refer to page 2 of Workpaper WP-4. Please provide a definition of the term "run" as it is used in the expressions "number of runs" and "per run."

Response:

A "run" reflects a single repetition of the operation of a route whose length is shown by the variable RL.

USPS/MPA-T3-30. Refer to Workpaper WP-2.

- a. Confirm that the dependent variable used in the regressions is found by dividing the variable "COST" by the variables "NUMRUNS" and "RL" and then taking a log of that ratio. If you do not confirm, please provide the correct formula for the dependent variable in the regression.
- b. Confirm that the variable "NUMRUNS" is the sum of the variable "NUMRUNS" for each observation on a contact cost segment (e.g. see lines 353-357 of the INTRA-CSD equations SAS log.) If you do not confirm, please explain the construction of the variable "NUMRUNS" for the regression analysis.
- c. Please provide the mathematical formulas for the following variables that appear in Workpaper WP-2: NUMRUNS, CUBECLAS, C_PER_N,TRC_RL,C_PER_NRL.

Response:

- a. Confirmed.
- b. Confirmed.
- c. As is the case in WP-1 accompanying USPS-T-18, the mathematical definitions of the variables are given in the source code.

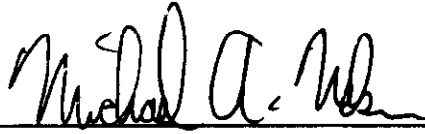
USPS/MPA-T3-31. For each regression presented in Table 1 in Workpaper WP-4, please provide the number of observations used to estimate the regression.

Response:

The requested information is contained in the SAS output listing for each model estimated. See my workpapers WP-1, WP-2 and WP-3.

DECLARATION

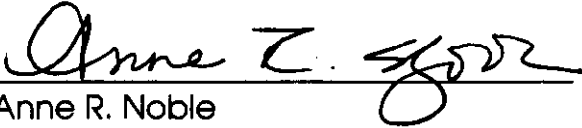
I, Michael A. Nelson, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.



Date: 6-28-00

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
June 28, 2000