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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**RESPONSE OF THE NATIONAL NEWSPAPER ASSOCIATION TO
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
(USPS/NNA-T1-5-23)**

(June 29, 2000)

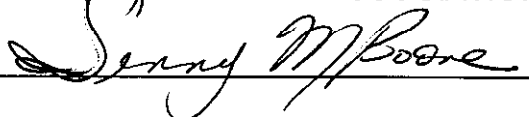
The National Newspaper Association (NNA) hereby provides the responses of witness Heath to the following interrogatories of the United States Postal Service, which were filed on June 14, 2000 (USPS/NNA-T1-5-23).

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

Respectfully submitted,

NATIONAL NEWSPAPER ASSOCIATION

By:



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Association

USPS/NNA T1-5. Please refer to page 5 of your testimony at lines 9-10 where you state that the Postal Rate Commission "...urged the Postal Service to work with us to resolve our questions."

- a. Please confirm that NNA has met jointly with the Postal Service since the close of Docket No. R97-1 to explore and attempt resolution of differences raised by NNA between NNA survey information and the Postal Service volumes for In-County mail. If you are unable to confirm, please explain fully.
- b. Please confirm that the Postal Service initiated the resolution efforts referenced in part (a). If you are unable to confirm, please explain fully and provide copies of any written documentation supporting your view.
- c. Please confirm that in the joint NNA and Postal Service meeting referenced in part (a), the Postal Service proffered its willingness to undertake and establish an In-County specific trial balance account and segment In-County and outside county on its postage statements (Forms 3541) for the purpose of resolving real or perceived differences. If you are unable to confirm, please explain fully.
- d. Please confirm that the Postal Service indicated in its response to NNA/USPS T5-44 that its proactive efforts directed toward the establishment of an In-County trial balance account known as AIC 224 have commenced and the framework for the new account is complete.
- e. Please confirm that as a result of the joint NNA and Postal Service meeting referenced in part (a), the Postal Service has provided information useful to NNA. If you are unable to confirm, please explain fully.
- f. Please confirm that as a result of the joint NNA and Postal Service meeting referenced in part (a), NNA has had an opportunity to check offices identified by the Postal Service for which In-County volume shows an appreciable decrease, and that NNA has had an opportunity to learn more about why there might be a decline in In-County mail.
- g. Please confirm that despite the Postal Service's efforts during the joint NNA and Postal Service meeting referenced in part (a) to resolve the issues raised by NNA in its R97-1 testimony, NNA failed to share with the Postal Service its survey data upon which your R97-1 testimony was based. If you are unable to confirm, please explain fully.

RESPONSE:

a. Not confirmed. There have been no meetings between NNA and USPS since the completion of the study referenced in my testimony. NNA offered a meeting and was told the discussion should continue inside the rate case. However, there were several meetings prior to NNA's decision to begin the study.

b. Not confirmed. Please see my response to part (a). However, I agree that the Postal Service met willingly with NNA, both at its initiative and possibly at my urging through my work in MTAC.

c. Confirmed in part. I believe that offer occurred prior to NNA's decision to undertake the study.

d. Confirmed in part. I understand the account code has been established. I am not certain what the "framework" for the account is, but I don't know whether it has been fully implemented.

e. Confirmed in part. Useful information has been provided. However, the specific meeting apparently suggested in part (a) did not occur, to my knowledge.

f. Not confirmed. NNA was supplied a list of offices with volume declines, but upon checking, I learned that these offices were those who were on the PERMIT system. The substantial volumes that would be reported out from the statistical sampling system apparently produce no similar reports. Since the latter set of offices are the ones where we have the greatest concern, the list was of little use. As to the opportunity to learn more about why there might be a decline, my view is that the Postal Service has no idea why there is an apparent decline and it is unable to offer any useful information on that point.

g. Confirmed, if the reference is to meetings conducted before NNA began its volume study. Because the survey apparently referenced in this question is not the one used in my testimony. The information to which I believe this question is directed was not gathered for purposes of validating or invalidating the Postal Service's volume trends but for other purposes. Pursuing further discussion about it would have lent nothing of substance to the resolution of the volume problem. I'm not sure what the reference to "failed" means, as NNA is under no obligation to share its internal data with the Postal Service outside the context of a rate case.

USPS/NNA T1-6. Please refer to page 5 of your testimony at lines 20-21 where you state that the Postal Service has "shifted the burden of proof to us [NNA]." Please provide copies of any written support you have for this statement.

RESPONSE:

Our discussions with the Postal Service have been oral. I have no correspondence or memos that document those meetings. But I would point out that the Postal Service's insistence upon mining an old survey referenced in USPS/NNA T1-5 (g) is one manifestation of the Postal Service's apparent and erroneous belief that I have an obligation to disprove the Postal Service's data, rather than the Postal Service's having an obligation to prove the data are correct.

USPS/NNA T1-7 Please refer to page 5 of your testimony at lines 17-18 where you state that "[I]t is unclear to me whether our meetings have resulted in any improvements in the RPW [S]ystem."

- a. Please confirm that you are unaware of any resultant improvements in the RPW System.
- b. If you confirm part (a), please explain what results would indicate to you an improvement in the RPW System.
- c. Would an upward or downward change in volume constitute in your opinion an improvement? Please explain fully.

RESPONSE:

a. Confirmed. As far as I can tell, the data reported in the base year of this case come from the same system we relied upon in R97-1. If there are changes that will result in improvements, they are not yet evident.

b. More frequent updating of the panel of rural post offices sampled, increased conversion of rural offices to PERMIT and larger samples taken of the offices are among the improvements that would increase the reliability of the study, as I understand the system. I'm sure there are others the Postal Service could identify itself.

c. I have no opinion on whether changes upward or downward would necessarily demonstrate an improved system.

USPS/NNA T1-8. Please refer to page 5 of your testimony at lines 22-24 where you state that you "persuaded" the board of directors to undertake a "costly" and "statistically-valid" survey.

- a. Please identify each member of the board of directors by their positions held on the board and any firm(s) or business(es) they own, operate, work for or otherwise represent.
- b. Are you also a member of the board?
- c. How costly was the survey? Please provide an approximate cost for the survey.
- d. Please explain or define your understanding of what a "statistically-valid" survey or study is.
- e. Is the study referenced in your testimony and performed by Project Performance Corporation (PPC) a "statistically-valid" study (i) in your opinion, (ii) in NNA's opinion or (iii) in PPC's opinion. Please explain fully.

RESPONSE:

- a. A list of the current NNA board of directors is attached. NNA does not maintain data on all businesses or interests maintained by its directors.
- b. No.
- c. Approximately \$75,000
- d. I understand a statistically-valid study to be one that involves random sampling of a relevant population and accurate measurement of error in the reporting from the sample.
- e. Yes, in all cases.

USPS/NNA T1-9. Please refer to page 6 of your testimony at lines 3-4 where you state that Project Performance Corporation was "retained" and "we looked at mailing data". Please describe fully the roles of PPC, witness Elliott and you in each of the design, development, implementation and analysis phases of the study. If necessary, please obtain information from the identified participants and/or redirect for supplemental responses portions of this interrogatory to witness Elliott or NNA as an institution.

RESPONSE:

PPC contracted with NNA to create a stratified sample of newspapers from NNA's database of member and non-member newspapers. It distributed survey forms to selected members, collected responses, analyzed results and produced a final written report. Witness Elliott's role, as I understand it, began midway through the project. He was involved only with the analytical phase. My role was to consult with NNA's Postal Committee about the need for the survey, to propose its conduct to the NNA Board of Directors, to assist in fund-raising to pay for the study and to assist PPC in creating the survey questions. At the conclusion of the report, I assisted the NNA staff in preparing an announcement of the results.

USPS/NNA T1-10. Please refer to page 6 of your testimony at line 11 where you state that "...we got a better response than we expected." What specific response rate or response rate range did you expect? Please explain your expectations regarding accuracy and precision.

RESPONSE:

I did not create a target range for responses, but I always approach surveys with caution because I know how busy publishers are and how many requests for survey participation they receive. Because of their roles as community leaders and opinion molders, publishers are constant survey targets. It always surprises me, but pleases me as well, when they take the time to assist NNA in gathering information.

USPS/NNA T1-11. Please confirm that the Postal Service estimates for In-County mail for the FY1998 period are based on a total panel size of over 2,200 offices for the combined non-automated and automated office segments. If you are unable to confirm, please explain fully.

RESPONSE:

As I understand testimony of USPS witness Hunter, I understand this statement to be true, but I have no independent knowledge of the size of the panel. However, it may be important to note that my focus is primarily upon the non-automated office segments, in which the population size is only 25.

USPS/NNA T1-12. Please refer to page 6 of your testimony at lines 13-15 where you state that witness Elliott indicates that newspaper mail has grown while In-County volume has declined.

- a. Please confirm that this statement by itself is not a contradiction, that is, newspaper growth and declining In-County volume are not mutually exclusive events.
- b. Please confirm that this statement alone does not in any way determine or confirm the presence, level or direction of any bias in the RPW In-County volumes.
- c. If you are unable to confirm part (a) or part (b), please explain fully.

RESPONSE:

a. Confirmed. Newspaper growth in itself says nothing about mail use, but the NNA study indicates that In-County mail use is also growing. In fact, it is my experience that when newspaper mail overall grows, so does in-county use.

b. Not confirmed. I have not said that NNA believes the RPW volumes are necessarily wrong, nor that there is no other explanation for the divergent trends of rising newspaper use, but falling overall volumes. But given the limited information we have about In-County users, there are only two reasonable inferences that come to my mind to explain the divergent trends. Either non-newspaper users are entering much less In-County mail, or the RPW data are understating actual pieces.

- c. Please see my response to USPS/NNA T1-12(b).

USPS/ NNA T1-13. Please refer to page 7 of your testimony at lines 2-3 where you state that "weekly newspapers" drive this mail subclass. Please reconcile the statement with the daily and weekly circulation subtotals shown in Table 2 of witness Elliott's testimony.

I do not see a conflict between Table 2, which states newspaper circulations and says nothing about mail usage, with my statement.

USPS/NNA T1-14. Please refer to page 3 of Appendix A in USPS LR-I-230/R2000-1 and to your testimony on page 7.

- a. Please define the term "rural" as it applies in an RPW context to segmentation of the universe of non-zero In-County volume reporting offices.
- b. Please identify that source for your assertion that only 25 offices out of 26,000 non-automated offices are sampled for the Periodicals mail category; to the extent that such materials are not part of the Postal Service direct case or were not elicited via discovery, please provide copies of all such material.
- c. Please provide your understanding of any differences between the terms non-automated office, non-zero Periodicals office and non-zero In-County Periodicals office.

RESPONSE:

a. Since the Postal Service has repeatedly refused to respond to NNA's questions about how it determines what population or revenue size qualifies an office for PERMIT or, conversely, disqualifies the offices in the sampled panel, I have no way of knowing how my understanding of rural intersects with the Postal Service's RPW reports. It is simply my observation from working with many small newspapers that the post offices in which they enter mail tend to be in small communities and tend not to be on the PERMIT system.

b. See Tr. 2/907 and NNA/USPS T5-31, Tr.2/791-792.

c. I understand a non-automated office to be one that is not on the PERMIT system; a non-zero Periodicals office to be one with some Periodicals revenue in 1996 when the panel used in this case was formed and a non-zero In-County Periodicals office to be one with some In-County revenue in 1996 when the panel in this case was formed.

USPS/NNA T1-15. Please refer to page 15 of your testimony at lines 8-9 in which you state that "[m]any of these newspapers have a total circulation of 2000-3000 copies per week."

- a. Please provide the number of these many newspapers.
- b. Please disaggregate the count from part (a) into daily and weekly papers consistent with the Table 1 categories reported in NNA witness Elliott's testimony.

RESPONSE:

a. In the version of the NNA database used to construct the sample for the NNA study, there are 61 companies publishing daily papers with circulations per issue of 2,000-3,000 and 1,083 companies publishing weekly papers with circulations per issue of 2,000-3,000.

- b. See part (a).

USPS/NNA T1-16. Please refer to page 15 of your testimony at lines 8-9 in which you state that "[m]any of these newspapers have a total circulation of 2000-3000 copies per week."

- a. Please confirm that your use of the term "copies" is consistent with your use of the term circulation throughout your testimony. If you are unable to confirm, please explain fully.
- b. Please confirm that your use of the term "copies" is consistent with witness Elliott's circulation numbers provided in Tables 1-3 of his testimony. If you are unable to confirm, please explain why.

RESPONSE:

a. It is, but to be more clear, I want to explain that circulations are customarily stated by newspapers as either an annualized total or a point in time total of numbers of subscribers for each issue. So a circulation of 2,000 would mean for a weekly newspaper, for example, that there are 2,000 subscribers who have paid to receive each week's issue.

- b. Confirmed.

USPS/NNA T1-17. Please refer to page 5 of your testimony at lines 8-10. Please provide your best understanding of what problem the Commission identified and what action it took in response. Please provide citations to where the adjustment was made and otherwise explain fully the adjustment you reference.

RESPONSE:

Please see PRC Op.R97-1 at 546.

USPS/NNA T1-18. Please refer to page 5 of your testimony at line 6 where you refer to "piece totals" (pieces) and to page 15 of your testimony at lines 8-9 where you refer to "copies."

- a. Please confirm that Postal Service reports piece-based volumes, and provide your understanding of the distinction between "pieces" and "copies."
- b. Please confirm that all references to volumes by you and witness Elliott in your testimonies in this docket are piece-based and not copy-based. If you are unable to confirm, please identify and list all copy-based references shown in either testimony.
- c. Please confirm that all references to volumes by you and witness Elliott in your testimonies pertaining to prior year surveys are piece-based and not copy-based. If you are unable to confirm, please identify and list all copy-based references shown in either testimony.

RESPONSE:

- a. My understanding is that the Postal Service tabulates piece in volume reports. In virtually all circumstances, a newspaper executive's understanding of "pieces" and "copies" would make those words synonymous. The only exception would be firm bundles that have multiple "copies" in a single postal "piece," but in my experience that practice is minimal by newspapers, who mostly are mailing to households where only one copy is desired.
- b. Not confirmed. Please see my response to subpart (a). But the distinction is insignificant to the subclass.
- c. Not confirmed. Please see my response to subpart (b).

USPS/NNA T1-19. Please define the term "circulation" as used throughout your and witness Elliott's testimonies. If possible, please compare and contrast your definition(s) to the terms "copies" and "pieces" as used by the Postal Service on Postage Statements and as used in the DMM pertaining to Periodicals mailing requirements.

RESPONSE:

Please see my response to USPS/NNA T1-18(a). In virtually every circumstance that comes to mind, a copy and a piece would be synonymous in the contexts referenced here. It may also be useful to add that I believe most respondents to the survey retrieved their data on mailed copies from postage statements and, in those cases, reported to us in "pieces" and not "copies." The distinction is so small as to be meaningless, however, and was not important to our results.

USPS/NNA T1-20. Please refer to page 26 of your testimony at lines 11-14 where you state that "[i]t [the Commission] should make adjustments..." to In-County Volumes, "...in recognition of serious and abiding questions about the accuracy of RPW. (Volumes appeared to increase slightly in FY'98 to 923 million, but had fallen again in FY '99 to 893 million.)"

- a. Please explain fully how a slight increase in one year followed by a decrease the next year raises "serious and abiding questions" about the accuracy of the estimates for either or both years.
- b. How would your answer to part (a) differ if instead a slight decrease in one year was followed by a slight increase?

RESPONSE:

a. This question infers that a 30 million piece decline in a time of apparently growing newspaper use of in-county is "slight," but in any event, it is not the data point of any single year that is the focus of my concern. Rather it is the apparent trend of decline, the lack of explanation for reasons why and the evidence that newspapers are increasing their use of the subclass that raises serious and abiding questions, in my view.

- b. It wouldn't.

USPS/NNA T1-21. Please refer to page 26 of your testimony at lines 11-14 where you state that "[i]t [the Commission] should make adjustments" to In-County Volumes "...in recognition of serious and abiding questions about the accuracy of RPW. (Volumes appeared to increase slightly in FY'98 to 923 million but had fallen again in FY '99 to 893 million.") Please confirm that the FY 1998 volume rounded to the nearest million is 924 million pieces and not 923 million pieces and that the FY 1998 volume represents a decline of approximately 23 million pieces from the FY 1997 volume as you have stated, but rather a decrease. If you are unable to confirm, please explain fully.

RESPONSE:

Confirmed that the 1997 volume was 947 million and that the 1998 volume was 924 million as rounded. The total in 1996 was 878 million, however, and in my testimony it was the rise from 1996 to 1997 to which I meant to refer. It is interesting to me that the increases in volume appears to have happened after the panel was reconstructed, if I understand the proper sequence of events.

USPS/NNA T1-22. Please refer to page 7 of your testimony at lines 7-8 where you determine that the Postal Service has "...little interest in determining the reasons for this decline." Please explain this statement in the context of the Postal Service's ongoing efforts to improve its estimates of In-County volumes notwithstanding the small size of this subclass. Please include in your explanation your test for what demonstrates on the Postal Service's part "sufficient interest" in the underlying reasons behind the apparent decline in volumes for the subclass.

RESPONSE:

This question asks me to assume the truth of its assertion, which I cannot do. In my view, the Postal Service has taken only one action in response to NNA's requests and that is to establish a financial accounting code--something that should have been done years ago. Beyond that, the response has been largely defensive of the current system, as well as manifestly evident of the Postal Service's belief revealed in this question: that the "small size of the subclass" makes neither a high degree of accuracy nor any degree of interest in the loss of this business a very high priority. Inasmuch as the question does not attribute the term "sufficient interest," I cannot define it. It is not my term.

USPS/NNA T1-23. Please refer to page 7 of your testimony at lines 16-18 where you "...understand the panel of post offices used to produce the base year is infrequently refreshed, making it difficult to capture volumes that may have appeared in the mid-term years."

- a. Please identify the basis in the Postal Service's direct case (including discovery) for your characterization of the panel as "infrequently refreshed." Please provide copies of any other supporting documentation.
- b. How often would you deem it suitable to update a panel? What information would you require to make this determination? What information might a survey practitioner require? Please explain fully.
- c. Please provide your understanding of the combined ratio estimator used in the BRPW to construct estimates of In-County volumes as described in Section 5 of USPS/LR-I-26/R200-1 and in response to NNA/USPS T5-36(k).
- d.
 - (i) Please identify all materials supporting your opinion that there has been difficulty capturing volumes in mid-term years; provide copies of any that are not part of the Postal Service direct case.
 - (ii) Please explain fully your understanding of how the difficulty referenced in subpart (i) affects BRPW results for FY 1998.
 - (iii) Please provide any computations you or others have used to quantify in absolute or relative terms any supposed missed volumes.

RESPONSE:

- a. See Tr. 2/909.
- b. The panel should be updated as often as is necessary to capture changes in the subclass. Given the apparently rapid decline in volumes, it would appear the Postal Service believes the subclass is changing dramatically. "What information....a survey practitioner" might require is outside my field and I am not competent to respond.
- c. It is outside my field.
- d.
 - (i) My understanding is that the latest survey of offices to determine non-zero In-County revenues was the base year in R97-1 or possibly earlier. Revenues that did not appear during that year or that have appeared since would presumably not be captured in the survey. See Tr. 2/909.
 - (ii) Please see my response to part (i).
 - (iii) It is not my role in this case to calculate missing volumes, nor would I have any fathomable access to the data for so doing, particularly given the Postal

Service's policies with regard to individual post office data. The burden of providing accurate volume data belongs to the Postal Service, not to NNA.

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DECLARATION

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

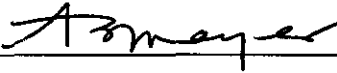
A handwritten signature in black ink that reads "Max Heath". The signature is written in a cursive style with a long horizontal stroke extending to the right from the end of the name.

Max Heath

June 29, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



Alexis Baden-Mayer

June 29, 2000