

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 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 MAGAZINE PUBLISHERS OF AMERICA, INC.
WITNESS HAY TO FIRST SET OF INTERROGATORIES
OF NEWSPAPER ASSOCIATION OF AMERICA
(UPS/MPA-T4-1-3)

(JULY 3, 2000)

Magazine Publishers of America, Inc. hereby provides the response of witness Hay to the following interrogatories of the Newspaper Association of America: NAA/MPA-T4-1-3, filed on June 19, 2000. The interrogatories are stated verbatim and is followed by the response.

Respectfully submitted,



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**RESPONSE OF MAGAZINE PUBLISHERS OF AMERICA WITNESS HAY
TO INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA
(NAA/MPA-T-4-1-3)**

NAA/MPA-T4-1. Please refer to your testimony at page 3, lines 1-7, where you state “[p]erhaps the most significant experience I bring to these proceedings is the fact that A.T. Kearney employed me as the technical editor on the Data Quality Study. I was tasked with reading all the component studies compiled by the various experts to ensure that they read well individually, and that collectively they had some cohesion. As such I met often with the authors and discussed the various data quality issues at length. I believe this give me an excellent insight in to the subject of ‘Data Quality and Rate Making.’”

- a) Please identify the time period during which you participated in the Data Quality Study.
- b) Please provide the number of hours per month that you worked on the Data Quality Study, distinguishing between time spent reading the studies, time spent meeting with the authors, and time spent engaging in additional activities, if any.
- c) Were you the only technical editor on the Data Quality Study?
- d) How many other individuals working on the Data Quality Study performed tasks similar to yours?

Response:

(a) I worked on the Data Quality Study from June 20 through September 30, 1998

(b) The breakdown of hours worked are as follows:

Re: Independent Consultant Agreement No. 102590-97-B-1972-011

Keith Hay Hours

w/e 07/10/98	24 hours
w/e 07/17/98	8 hours
w/e 07/24/98	<u>24 hours</u>
	56 hours
w/e 08/01/98	27.5 hours
w/e 08/08/98	26 hours
w/e 08/14/98	20.5 hours
w/e 08/21/98	<u>23 hours</u>
	97 hours

w/e 08/29/98	22 hours
w/e 09/05/98	22 hours
w/e 09/11/98	<u>14 hours</u>
	58 hours
w/e 09/19/98	18 hours
w/e 09/26/98	26.5 hours
w/e 10/03/98	<u>13 hours</u>
	57.5 hours

Total Hours billed on contract as of November 1/98 268.5 hours for Keith Hay

Proportion of hours were as follows:

Breakdown of hours spent on Data Quality Study

Reading	21.1%
Analyzing	31.1%
Meetings/Telephone	19.1%
Editing/Writing	23.3%
Other	<u>5.4%</u>

Total 100.0%

- (c) To my knowledge, I was the only technical editor retained by A.T. Kearney on the Data Quality Study.
- (d) Mr. Alan Robinson read and commented on certain portions of some studies. I observed all the DQS team members exchanging views on various issues in DQS document drafts. Ms. Mary Bundy was exclusively responsible for the DQS Summary Report and I had no input nor made any contribution to this Report.

NAA/MPA-T4-2. Please refer to your testimony at page 8, line 13 through page 9, line 29.

- a) Did you analyze the sample sizes of Witness Raymond's ES study? If so, please provide a detailed account of both your approach and your findings.
- b) In your opinion, what are acceptable sample sizes for a study as Witness Raymond's ES study?
- c) Do you have any recommendations for selecting allowable error or confidence limits for cost estimation for ratemaking purposes?
- d) At pages 27-28 of her testimony, MPA Witness Crowder suggests that the "unweighted sampling ratios" resulting from Witness Raymond's ES study invalidate his sample. In your opinion, what are adequate unweighted sampling ratios?

Response:

- (a) I am assuming in this instance that what you describe as the Raymond ES study is the testimony and library references provided by witness Raymond to this rate case. I did not analyze sample sizes in Witness Raymond's Engineering Standards (ES) Study because of the non-scientific procedures used to select the sample and their apparent lack of overall randomness. If random procedures are not adhered to throughout, the sample size is largely meaningless.
- (b) Please see pages 8 through 10 of my testimony and the answer to part (c) below.
- (c) If the chosen random sample size is (say) 1100, then the survey research industry standard is such that the results may be considered accurate to within three point zero (3.0) percentage points, 19 times out of 20, of what they would have been if the entire population had been polled. The margin of error will be larger within regions and for sub-groupings of the survey population. Data are often statistically weighted to ensure the sample's regional and other characteristics reflect those of the actual universe population according to previously known census-type data.
- (d) Adequate sampling ratios are those that allow the random sample to reflect the spatial and other characteristic mixes of the universe under investigation. See also answer (c) above and my testimony on page 10, lines 7 to 14.

NAA/MPA-T4-3. Please refer to your testimony at page 14, lines 10-15, where you state “[i]n addition, I.E. estimates often exclude any time measure for inefficiencies or low productivity. As cost estimates capture these two elements it is essential that the sampling for cost studies be constructed so as to avoid any bias from these factors. The various aspects and distinct elements of load time cannot be merged together—as in I.E.—without recognizing that there will be significant losses in accuracy and variability for cost estimation purposes.”

- a) Please identify any instances where Witness Raymond's ES study excluded time measures for inefficiencies or low productivity.
- b) Please assess the specific bias from these two factors inherent in Witness Raymond's ES study.
- c) Please identify any instances where Witness Raymond's ES study merged together “various aspects and distinct elements” of load time.
- d) Please provide a specific example (from either Witness Raymond's ES study or elsewhere) of the significant loss in cost estimation accuracy or variability from industrial engineering.

Response:

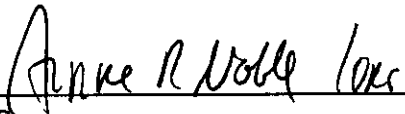
I am assuming in this instance that what you describe as the Raymond ES study is the testimony and library references provided by witness Raymond to this rate case.

Engineering standards studies, of a generic nature, are designed to produce results for performance management and staffing requirements, and as such their measurement methods may not coincide with the requirements of measurement in a cost study. For instance, it may be satisfactory for engineering standards purposes to calculate a time for walking one pace, a time for sorting one letter, a time for mounting one step, and a time for depositing letters in a box. As discrete units of time they can be reconstructed into a delivery time by counting the number of paces, counting the letters, counting the steps, and knowing the type of receptacle in use. For costing purposes we randomly sample complete actual operations.

- (a)-(d) As the work presented by Raymond was a small part of a larger engineering study, (itself part of the Delivery Redesign Program), and had the purpose of identifying the delay factors, it does not exclude time measures for inefficiencies, nor does it exclude low productivity. As such none of *these* factors create any *additional* biases. However, as witness Crowder has said in her testimony, there is apparently confusion over what non-productive activities were included, and should have been included, in the *ex post* load time assessment.

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
July 3, 2000