

**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

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Docket No. R2000-1

**RESPONSE OF MAGAZINE PUBLISHERS OF AMERICA, INC.
WITNESS NELSON TO SIXTH SET OF INTERROGATORIES
OF THE UNITED STATES POSTAL SERVICE
(USPS/MPA-T3-48-52)**

(JULY 6, 2000)

Magazine Publishers of America, Inc. hereby provides the response of witness Nelson to the following interrogatories of the United States Postal Service: USPS/MPA-T3-48-52, filed on June 21, 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 SIXTH SET OF INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE**

USPS/MPA-T3-48. Please refer to Workpaper WP-3 at Intra-BMC Equation Output listing.

- a. Confirm that one of the observations used in estimating the regression equation has a route length of one mile. If you do not confirm, please explain the meaning of the route number "1.0" under the column heading "Minimum" for the variable "RL" in the Proc Means Output immediately preceding the regression output.
- b. Confirm that a variable that has the value of one in levels will have a value of zero when it is converted to logs.
- c. Confirm that if there is an observation with the value of one for RL, then it will have a value of zero for LRL the variable used in the regression. If you do not confirm, please explain what value LRL will have if the value for RL is one.

Response:

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

USPS/MPA-T3-49. Please refer to your testimony at page 7 where you state "the methods used by witness Bradley to identify outliers appear in some instances to exclude good data."

- a. Please identify all such instances in which the methods used by witness Bradley excluded "good data."
- b. Please identify in each instance the equation from which the "good data" were excluded.
- c. Please confirm that Table 10 on page 40 of witness Bradley's testimony includes regression results with the unusual observations included and excluded. If you do not confirm, please explain what is presented in Table 10 on page 40 of witness Bradley's testimony.

Response:

- a. The referenced portion of my testimony does not rely on a complete enumeration of instances in which witness Bradley's methods exclude good data, and I have compiled no such list. USPS-LR-I-86 contains numerous instances where a contract was identified by witness Bradley as being "unusual," but the data for that contract was validated as being accurate by field personnel. An example of the type of exclusion that gave me particular concern can be found in HCRID 19218, which appears on page 2 of USPS-LR-I-86. This large contract appears to have been excluded simply because it is large. Observations that were excluded by witness Bradley but included in my analyses can be identified through examination of the variable "UO" for each model I estimate.
- b. Please see my response to part (a).
- c. Confirmed.

USPS/MPA-T3-50. Please confirm that witness Bradley's regressions are based upon actual, not hypothetical data. If you do not confirm, please provide exact citations to the sources of any hypothetical data used by witness Bradley to estimate his regression equations.

Response:

Not confirmed. Witness Bradley's own testimony describes how he imputes average values for cubic capacity to power-only contracts (USPS-T-18 at 24-27). In these instances, his regressions are explicitly based on assumed and not actual data regarding the size of trailer moved under each contract.

USPS/MPA-T3-51. Please refer to Workpaper WP-3, which contains weighted least squares regressions for the various equations to be estimated.

- a. Confirm the purpose of your weighting is to increase the importance of those observations that have a high number of runs relative to those that have a low number of runs. If you do not confirm, please provide the reason for the weighting.
- b. Confirm that the effect of weighting is to increase the importance of observations with many runs in the normal equations. If you do not confirm, please explain the effect of the weighting on the normal equations.

Response:

- a. Generally confirmed. It is to ensure that the weight afforded to each observation corresponds to the number of runs that it represents.
- b. Not confirmed. I assume that the term "normal equations" refers to the equations estimated by witness Bradley. I do not recommend that these weights be used in the equations estimated by witness Bradley. I also do not recommend that "per run" equations be estimated without these weights. Please see my response to part (a).

USPS/MPA-T3-52. Consider the following information on the distribution of cubic-foot miles within areas. In the following table, MEANCFM refers to the mean value of CFM within the designated area, STDCFM is the standard deviation of CFM within the designated area, MAXCFM is the maximum value for CFM within the designated area and MINCFM is the minimum value for CFM within the designated area.

AREA	MEANCFM	STDCFM	MAXCFM	MINCFM
1	1126886118.48	1339156263.85	3638661671.5	51296960.0
2	1111316788.11	1129575729.97	4453273304.0	58712789.2
4	988189736.82	800617870.56	3488922807.4	59999940.0
5	592583511.82	371200121.53	1178916822.0	44238480.0
7	1240173430.99	989557328.49	4536108513.0	138424524.4
8	1083347892.85	924271523.21	4005045105.0	101635120.8
9	1972422875.46	1706516007.75	4352370715.3	216898102.0
10	1300103544.20	1710645994.92	3832370482.5	69654420.0
12	1341480311.46	1347902330.83	5140074746.6	92455084.8

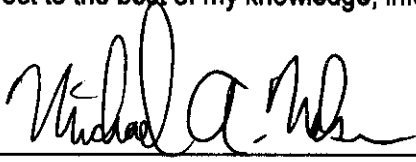
Confirm that these statistics indicate that the value for CFM is not constant within an area. If you do not confirm please explain how STDCFM could be positive and MAXCFM and MINCFM could be unequal if the value for CFM were constant with the area.

Response:

From the information provided, I am unable to discern the definition of the "CFM" for which the data are being presented. Absent any specific analysis, I can confirm that contracts within any area cannot be assumed to have a constant CFM.

DECLARATION

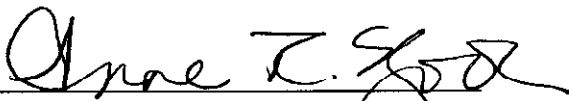
I, Michael A. Nelson, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Michael A. Nelson", written over a horizontal line.

Date: 7/06/00

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, D.C.
July 6, 2000