

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Postal Rate Commission
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Postal Rate and Fee Changes, 2006

Docket No. R2006-1

**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS THOMAS E. THRESS
(NAA/USPS-T7-1-10)
June 26, 2006**

The Newspaper Association of America hereby submits the attached interrogatories to United States Postal Service witness Thomas E. Thress (USPS-T-7) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants requesting such service in this proceeding in accordance with section 12 of the Rules of Practice.

June 26, 2006

William B. Baker
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NAA/USPS-T7-1: Please refer to page 17, lines 2-5 of your testimony. Did you receive sub-category specific volume figures from the Revenue, Pieces, and Weight Report (RPW) (for example, volume figures for Standard Enhanced Carrier Route High Density or High Density flats)?

NAA/USPS-T7-2: Please refer to page 18, lines 1-6 of your testimony, and to USPS-LR-L-63, pages 21-25.

- a. Which data did you use to calculate the own-price elasticities?
- b. For Standard Enhanced Carrier Route mail, you create a single average-price index for the demand equation. Witness Kiefer (USPS-T-36) recommends different price increases for each sub-category, although your volume forecasts are based on average prices for each category.
 1. Did you account for possible future variation in the volume composition of each mail class (for example, less Standard Enhanced Carrier Route Saturation volume and more Standard Enhanced Carrier Route Basic volume), and thus to variations in average prices?
 2. If so, what changes in volume composition and relative sub-category prices (for example relative Standard Enhanced Carrier Route Basic and High Density prices) did you make before forecasting future volume?
 3. If you did not account for composition changes, why not?

NAA/USPS-T7-3: Please refer to page 24, lines 4-10 of your testimony.

- a. When was this part of your testimony prepared?

**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS THOMAS E. THRESS
(NAA/USPS-T7-1-10)**

- b. When you discuss Internet use deepening, why do you cite data for the percentage of American households with Internet access rather than the household bill payment data presented by witness Bernstein in his Table 31?
- c. Did you consider using figures from the Household Diary Survey (reported in USPS-LR-L-105 and witness Bernstein, Table 31) which detail the percentage of bills paid online by method and household? If not, why not?

NAA/USPS-T7-4: Please refer to page 49, lines 12-18 of your testimony.

- a. Please refer to Table 31, page 59, and page 60, lines 1-7 of witness Bernstein's testimony, where he discusses static depth within categories of households that use the Internet for bill payments. Please reconcile Mr. Bernstein's testimony with your testimony at page 24, lines 8-10, that "...it appears to be the case that the depth of the use of the Internet to pay bills has increased dramatically between 2001 and 2005."
- b. In light of the Bernstein testimony cited in (a), why do you think it appropriate to include trend variables related to increasing Internet diversion depth?
- c. Why did you interact a trending variable on the coefficient of the ISP Consumption variable to model Internet diversion deepening?
- d. How did you determine the magnitude of this trending variable?

NAA/USPS-T7-5: Please refer to your volume forecasting workbook, "vf_ar.xls," provided in Library Reference USPS-LR-L-66. Please refer to the worksheet "NR Mult.," which calculates the "nonrate effect multipliers" that are used in your volume forecasts.

- a. Please confirm that these non-rate effect multipliers are the anti-log of the dot-product of your non-rate data and the estimated parameters from the regression you ran for each particular class of mail.

**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS THOMAS E. THRESS
(NAA/USPS-T7-1-10)**

- b. Given that you are forecasting based on a log-log model, why did you not find it appropriate to correct for the lognormal distribution—that is, why did you not multiply the anti-logged dot product by the anti-log of one-half of the mean-squared error of the particular regression? If you did indeed make this correction, please advise where that correction can be found in your testimony.

NAA/USPS-T7-6: What costs are included in the “Producer price index for direct-mail advertising” in your demand equation for Standard Enhanced Carrier Route mail?

NAA/USPS-T7-7: Is it your understanding that a portion of Standard Enhanced Carrier Route mail is sent by “shared” mailings in which advertising from more than one advertiser is included in a single mailed item (examples might be shared mailings by companies such as Advo, Val-Pak, and newspaper Total Marketing Coverage mailing programs)?

NAA/USPS-T7-8: In your forecasting model for Standard Enhanced Carrier Route mail, do you take into account in any way the prices charged by ECR mailers to advertisers whose advertising is included in a shared mailing?

NAA/USPS-T7-9: Does your forecasting model for Standard Enhanced Carrier Route mail specifically take into account newspapers’ usage of Standard ECR mail as

**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS THOMAS E. THRESS
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part of their Total Market Coverage programs? If not, in what variable would such usage be reflected?

NAA/USPS-T7-10: Please refer to the USPS RPW Survey for GY2004 and to LR-J-125 (sponsored by witness Tolley for docket R2001-1), workbook vf_ar, tab "Forecast Vols", cells AG38 to AM38. Note that Tolley's 2001 forecasting model, which is the basis of your 2006 model, overestimated total ECR volume by some 3.24 billion pieces for GY2004 (roughly 10% of total ECR volume). How did you account for previous overestimation in your revised 2006 forecasting model? Have you subsequently re-estimated the 2001 model and, in so doing, generated new forecast errors for that updated model? If so, were you able to reduce the forecast error for ECR volume?