

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS BOZZO
(USPS-T-46) TO INTERROGATORIES OF THE NATIONAL NEWSPAPER
ASSOCIATION (NNA/USPS-T46-1-17)**
(July 3, 2006)

The United States Postal Service hereby provides the responses of Witness Bozzo (USPS-T-46) to the above referenced interrogatories, filed on June 19, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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July 3, 2006

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-1 Please refer to Table 1, the Beta Test Direct Tally Subclass Distribution that appears on page 21 of your testimony (USPS-T-46). With respect to this table, please provide the comparable percentage distributions for both beta and non-beta tests for Clerk and Mail Handler and for Carrier Direct tallies that were tabulated for Within County Periodicals. If Within County Periodicals were not studied in either or both of these tests, please explain why they were not studied.

Response.

Within-County Periodicals were not studied separately from Outside-County Periodicals in the beta test because the test would not be expected to produce sufficient Within-County tallies to support statistical inference. The “non-beta” data are not test data, but rather are IOCS production data from the time period corresponding to the beta test data. The table below shows the Outside-County and Within-County detail for the non-beta Periodicals tallies shown in USPS-T-46, Table 1.

Category	Non-Beta Sites		
	Clks/MH	Carriers	Total
Total Periodicals (USPS-LR-L-128, Table1.xls)	6.4%	8.2%	6.9%
Within-County Periodicals	0.3%	0.2%	0.3%
Outside County Periodicals	6.1%	8.0%	6.6%

Response of United States Postal Service Witness A. Thomas Bozzo,
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NNA/USPS-T46-2 With regard to Table 6 that appears on page 34 of your testimony (USPS-T-46), please provide supporting citations from statistical literature that define the term “Approximate Standard Difference” that appears in the last column of Table 6.

Response.

The “standard difference” is simply the ratio of the relative difference shown in the “Unit Cost vs. Cost Level” column to an estimated standard error of the difference, calculated under the assumption that the unit costs, adjusted for the cost level, are drawn from the same distribution. The purpose is to identify differences between the BY04 and BY05 cost estimates that cannot be explained by sampling variation in the unit cost estimates, adjusted for the change in the level of mail processing volume-variable costs.

The calculation is “approximate” in that it does not make use of the exact distribution(s) of the estimates, and in that it uses the BY05 standard errors (via the BY05 CVs reported in USPS-T-1 by Dr. Czigler) to estimate the standard errors of the adjusted cost differences.

Consider two independent estimators c_1 and c_2 with equal variance σ^2 , and the scaled difference $(c_1-c_2)/c^*$, where c^* is a constant. Then the standard deviation of $(c_1-c_2)/c^*$ is $\sqrt{2}\sigma/c^*$. If c^* is a realized value of c_1 (or c_2), then $\hat{\sigma}/c^*$ is the coefficient of variation, i.e., the standard deviation of $(c_1-c_2)/c^*$ is estimated by $\sqrt{2}CV_c$.

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Alternatively, note that the ratio v_1/v_2 of two independent identically distributed normal distributed random variables v_1 and v_2 , with means large relative to the standard deviations, has an approximate normal distribution with mean 1 and standard deviation $\sqrt{2}\sigma/\mu$. See George Marsaglia, "Ratios of Normal Variables and Ratios of Sums of Uniform Variables," *Journal of the American Statistical Association*, 60 (1965), 193-204.

Response of United States Postal Service Witness A. Thomas Bozzo,
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NNA/USPS-T46-3 With regard to Table 6 that appears on page 34 of your testimony (USPS-T-46), please define the term, “approximate CV” as that term appears in the supporting note on Table 6.

Response.

Please see the response to NNA/USPS-T46-2.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-4 With regard to Table 6 that appears on page 34 of your testimony (USPS-T-46), Please explain why you have used “CV’s” in the calculations that appear on Table 6.

Response.

Please see the response to NNA/USPS-T46-2.

Response of United States Postal Service Witness A. Thomas Bozzo,
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NNA/USPS-T46-5 With regard to Table 6 that appears on page 34 of your testimony (USPS-T-46), please confirm that the “approximate CV” for Within County Periodicals that was used to derive the Approximate Standard Difference of 3.40 shown in the last column of Table 6 was 16.4%. If this value cannot be confirmed, please provide the correct CV for Within County Periodicals that was used in this calculation and supporting work papers showing how this CV was derived.

Response.

Confirmed. Please see the response to NNA/USPS-T46-2 for a discussion of the relationship with the estimated CVs of the mail processing costs.

Response of United States Postal Service Witness A. Thomas Bozzo,
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NNA/USPS-T46-6 With regard to Table 6 that appears on page 34 of your testimony (USPS-T-46), please provide the underlying data that was specifically used to calculate each change in the mail processing cost for Within County Periodicals that appears in the row labeled Within County Periodicals.

Response.

The underlying data are provided in USPS-LR-L-128, file Table 6.xls,

'Decomposition' tab.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-7 On page 35 of your testimony (USPS-T-46), you state at lines 7-8, “The Within-County increase appears to have resulted from new methods to facilitate identification of Periodicals in the redesigned Question 23.” With respect to this statement, please define each new method to which you are referring and explain fully how each new method “facilitated” the identification of Periodicals as compared to prior years.

Response.

In the redesigned IOCS data collection instrument, when data collectors record that a piece has no indicia in question Q23E2, “Presence of Indicia”, the subsequent question Q23E6, “Periodicals Check” asks “Is the mailpiece a Periodical, for example a regularly published magazine, newspaper, or newsletter?”

Previously, data collectors were required to recognize pieces as Periodicals, enter the Periodicals class in question 23B, and then enter the publication title information. As I stated in USPS-T-46, pages 35-36, the previous procedure appears to have been problematic for correctly coding tallies of relatively obscure Periodicals titles.

Response of United States Postal Service Witness A. Thomas Bozzo,
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NNA/USPS-T46-8 On page 35 of your testimony (USPS-T-46), you state at lines 12-15, “In FY 2004, the Periodicals lookup list was greatly expanded, from fewer than 1,500 titles to more than 20,000 titles, resulting in an increase in tallies concentrated in Outside-County Periodicals titles added to the list in FY 2004.” With respect to this statement, please provide the increases in actual tallies that resulted from the expansion of the lookup list in FY 2004 that was observed for Outside County Periodicals and for Within County Periodicals.

Response.

I assume that the reference to “actual tallies” seeks the tally record counts (vs. weighted tallies) consistent with USPS-T-46, Table 7. The data are provided in the table below. However, please note that comparisons should be based on weighted tallies to account for variations in sampling rates among IOCS sampling strata as well as the reduction in overall sample size for the IOCS production data in FY04 due to the beta test of the redesigned IOCS software.

Category	FY03		FY04		FY03- FY04
	Tally Ct	% of Total	Tally Ct	% of Total	Increase
In-County in FY03 lookup table	21	30%	12	19%	-9
In-County in FY04 lookup table	25	35%	33	52%	8
In-County not in either lookup table	25	35%	19	30%	-6
Total In-County	71	100%	64	100%	-7

Outside County in FY03 lookup table	3,155	74%	2,355	58%	-800
Outside County in FY04 lookup table	878	21%	1,508	37%	630
Outside County not in either lookup table	207	5%	212	5%	5
Total Outside County	4,240	100%	4,075	100%	-165

Total Periodicals in FY03 lookup table	3,176	74%	2,367	57%	-809
Total Periodicals in FY04 lookup table	903	21%	1,541	37%	638
Total Periodicals not in either lookup table	232	5%	231	6%	-1
Total Periodicals	4,311	100%	4,139	100%	-172

Response of United States Postal Service Witness A. Thomas Bozzo,
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NNA/USPS-T46-9 On page 35 of your testimony (USPS-T-46), you state at lines 19-21, "Between BY 2004 and BY 2005, the increase in Periodicals tallies was concentrated in Within-County titles not included in the FY 2004 or pre FY 2004 lookup lists." With respect to this statement, please provide a list of all Within County lookup titles where tallies were recorded in BY 2005 that were included in the FY 2004 lookup list and a separate list of all Within County titles where tallies were recorded in BY 2005 that were not on the FY 2004 lookup list.

Response.

To clarify, the lookup list does not identify titles as Within-County or Outside County Periodicals.

The titles included in the lookup list and titles not included in the lookup list for tallies classified as Within-County are provided below.

Titles Included in Lookup List Pre-FY04

CHICAGO
CHINESE DAILY NEWS
CLEVELAND JEWISH NEWS
CRAIN'S CHICAGO BUSINESS
GREEN VALLEY NEWS AND SUN
PACIFIC BUSINESS NEWS
PLI NEWS
RAFU SHIMPO
THE JOURNAL RECORD
THE KOREA TIMES
THE RECORD
WESTWAYS

Titles Included in FY04 lookup list

AAA MOTORIST WESTERN PENNSYLVANIA
BIRMINGHAM
BISMARCK TRIBUNE (THE)
BUSINESS PRESS
CRUIS'NEWS
DAILY ARDMOREITE (THE)
DIALOG (THE)
ENFIELD PRESS

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Titles Included in FY04 lookup list (cont'd)

FORT BRAGG ADVOCATE-NEWS
HAWAII BAR JOURNAL
INDIA JOURNAL
INDOAMERICAN NEWS
JEWISH HERALD-VOICE
KANSAS CITY JEWISH CHRONICLE (THE)
LA CROSSE TRIBUNE
LANCASTER NEWS
MEMPHIS BUSINESS JOURNAL
NATIONAL INTEREST (THE)
NEWS GRAPHIC
PAWLING NEWS CHRONICLE
PENFIELD POST
PUGET SOUND JOURNEY
SMITHVILLE LAKE HERALD (THE)
SOUTHWEST DAILY TIMES
ST. LOUIS BUSINESS JOURNAL
THE NEWS LEADER
THE BISMARK TRIBUNE
THE GREENVILLE NEWS
THE HUB
THE MINNESOTA ASSOCIATION OF TOWNSHIPS
TIME OUT NEW YORK
TIMES JOURNAL
TODAY'S NEWS HER
VALUE LINE CONVERTIBLES SURVEY (THE)
VALUE LINE DAILY OPTIONS SURVEY (THE)
WYANDOTTE COUNTY LEGAL NEWS
WYOMING TRIBUNE-EAGLE

Titles Not Included in FY04 Lookup List

AMITYVILLE RECORD
ARMADILLO LITERARY GAZETTE
AUGUSTA WEST ROTARY CLUB
BINNACLE
BIRDVILLE NEWSLETTER
BURNS TIME HAROLD
CALAVERAS ENTERPRISES
CAPE COD VOICE (THE)
CLYDE REPUBLICAN
DODGE CRITERION
DRAIN ENTERPRISE
EBENEZER EAGLE

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Titles Not Included in FY04 Lookup List (cont'd)

FIRST UNITED METHODIST CHURCH NEWS LETTER
FOCUS
FONTANA
GAZETTE
GENESEOS REPUBLIC
GONZALES TRIBUNE
HOUSTON CHRONICLE
JAPANESE DAILY SUN
LAUREN COUNTY ADVERTISEMENT
LICKING NEWS
NORWELA NEWS
OLIVETTER
OSHKOSH NORTHWESTERN
PORT ARANSAS SOUTH JETTY
POST TELEGRAPH
REAL ESTATE WEEKLY
RICHLAND OBSERVER
SEDGWICK COUNTY THE POST
ST. PAUL LEGAL LEDGER
STAR HERALD
TEMPLE BETH EL
THE ALAMANCE NEWS
THE BAYOU JOURNAL
THE CHARLOTTE POST
THE FRANKLIN PRESS
THE HAWAII HOCHI
THE MISSISSIPPI LINK
THE OUTLOOK
THE PARK CITIES NEWS
THE TIE
TONGANOXIE MIRROR
TRI COUNTY NEWS
WARWICK BEACON
WILSONVILLE SPOKESMAN

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-10 On page 36 of your testimony (USPS-T-46), you state at lines 1-3, “Any tally preliminarily identified as Within-County Periodicals in the automated processing of IOCS data is reviewed for evidence of eligibility to claim Within County rates (See USPS-LR-L-9, Appendix D)” With respect to this statement, please describe fully how such preliminarily identified tallies are “reviewed for evidence of eligibility” to claim Within County rates.

Response.

The review procedures are described fully in USPS-LR-L-9, Appendix D.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-11 On page 36 of your testimony (USPS-T-46), you state at lines 1-3, "Any tally preliminarily identified as Within-County Periodicals in the automated processing of IOCS data is reviewed for evidence of eligibility to claim Within County rates (See USPS-LR-L-9, Appendix D)" With respect to this statement, please confirm that if a tally has been reviewed for evidence of eligibility to claim Within County rates and if evidence has been found to support that claim, that the Postal Service then assumes, in all such cases, that the postage for that underlying piece was actually calculated at Within County Rates. Please explain any answer other than a confirmation.

Response.

Confirmed.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-12 On page 36 of your testimony (USPS-T-46), you state at lines 1-3, "Any tally preliminarily identified as Within-County Periodicals in the automated processing of IOCS data is reviewed for evidence of eligibility to claim Within County rates (See USPS-LR-L-9, Appendix D)" With respect to this statement, please describe any circumstances known to you where a Periodical might be eligible to claim Within County status but nevertheless was not mailed at Within County rates. Explain each circumstance fully.

Response.

I am not aware of any such circumstances. While I cannot rule out the possibility that examples could exist that I am not aware of, my understanding is that the rate differentials between Within-County and Outside-County Periodicals provide a strong incentive for mailers to claim Within-County rates for eligible pieces.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-13 On page 36 of your testimony (USPS-T-46), you state at lines 3-6 “Since title information must be entered in IOCS, and the tallies are reviewed after processing, I consider it unlikely that piece [sic] not belonging to the Within-County subclass are being misidentified.” With respect to this statement please provide any reasons other than the reasons described at lines 3-6, why Dr. Bozzo considers it unlikely that pieces not belonging to the Within-County subclass are being misidentified.

Response.

In addition to the reasons stated in my testimony, the results of the IOCS testing showed no examples of pieces of other subclasses misidentified as Periodicals.

See USPS-T-46, page 36, lines 6-7.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-14 On page 36 of your testimony (USPS-T-46), you state at lines 6-7, "The photocopy and keying studies also showed no tendency for data collectors to misidentify pieces of other classes as Periodicals." Please confirm that neither the photocopy nor keying studies specifically analyzed Within County Periodical pieces. Explain any answer other than a confirmation.

Response.

Confirmed. Please see also the response to NNA/USPS-T46-1.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-15 Does "evidence of eligibility" as you use the term on p. 36 of your testimony mean that the Postal Service has determined for each title listed in the lookup titles referenced on p. 35 that the publication's characteristics are in compliance with 39 USC §3626? If your answer is yes, please explain how the Postal Service made this determination for each publication. If your answer is no, please explain what "evidence of eligibility" means.

Response.

The review of the tallies makes use of mailing statement data where possible.

That is, if the mailing statements indicate pieces entered at Within-County rates, the publication's eligibility is assumed to have been determined in the course of approving the publication for mailing at Periodicals rates. Mailing statement data are not available for some titles entered at small offices not linked to the PostalONE system. In those cases, reference sources are consulted to evaluate the publication's eligibility under DMM 707 11.3.1. Please see also USPS-LR-L-9, Appendix D.

Response of United States Postal Service Witness A. Thomas Bozzo,
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NNA/USPS-T46-16 Please confirm that a publication eligible to mail at Within County rates may also enter pieces into the mailstream that are not eligible for Within County rates, and that such pieces might appear identical to the eligible pieces.

Response.

Confirmed that publications eligible to claim Within-County rates also enter pieces at Outside County rates. Not confirmed that the Outside-County pieces appear identical to the eligible Within-County pieces when recorded in IOCS. In most cases, the Outside-County pieces can be identified by the outside-county destination recorded in the IOCS tally.

Response of United States Postal Service Witness A. Thomas Bozzo,
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NNA/USPS-T46-17 Please confirm that a publication mailed by a Within-County eligible publisher that is received by a recipient outside the publisher's county of entry will likely be ineligible for the Within County subclass, and if you do confirm, please explain how the data collector would be trained and/or prompted by the options in Question 23 to correctly identify that mailpiece.

Response.

Confirmed that pieces addressed to recipients outside the county of entry will be ineligible for Within-County rates.

IOCS data collectors record the publication title, ISSN, and/or publication number and the destination ZIP Code of the piece; data collectors are not responsible for identifying the rate category for tallies of Periodicals pieces. The destination information is used in subsequent IOCS tally processing to identify tallies of pieces addressed to recipients outside the county of entry.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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