

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

FIRST SET OF INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO
NATIONAL NEWSPAPER ASSOCIATION WITNESS SIWEK
(USPS/NNA-T3-1-19)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories to National Newspaper Association witness Siwek: USPS/NNA-T3-1-19.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083, FAX -3084
khollies@usps.gov
September 19, 2006

FIRST SET OF INTERROGATORIES FROM
THE UNITED STATES POSTAL SERVICE TO NATIONAL NEWSPAPER
ASSOCIATION WITNESS SIWEK

USPS/NNA-T3-1. Please refer to your testimony at page 4, lines 2-3. You state, "Absent a known extraordinary event, cost increases of this magnitude, occurring within so limited a time frame are simply not believable."

- a. Do you consider the IOCS redesign, which you mention at lines 13-14 on the same page, to be a "known extraordinary event"?
- b. Did you consider the possibility that the change of the IOCS instrument could contribute to the increase in measured costs? If not, why not?

USPS/NNA-T3-2. On page 4 of your testimony, lines 4-6, you claim that apparent cost increases for Within-County "far more likely ... result from .. deficiencies" in Postal Service "processes and data used... [for] the Within-County Periodical [sic] subclass."

- a. Are you claiming that the Postal Service changed any of the processes (described in USPS-LR-L-9, Appendix X) specifically applicable to Within-County Periodicals, as opposed to general IOCS changes affecting all Periodicals?
- b. If your answer to part (a) is affirmative, please explain in detail what changes you believe were made, and please provide citations to USPS-LR-K-9 and USPS-LR-L-9 to support your claims.
- c. If your answer to part (a) is negative, please explain how you believe processes that did not change between BY 2004 and BY 2005 can account for the measured cost increase.

USPS/NNA-T3-3. Please refer to your testimony, section VIII(d), p. 16, where you state "... a margin of error equal to only 3% is generally used in surveys where a 95% confidence interval is measured." and in footnote 3 quote Dr. Lohr "For many surveys of people in which a proportion is measured, $\epsilon = 0.03$ and $\alpha=0.05$;" also refer to your testimony at page 17, lines 18-19. Please also refer to USPS-T-1 at pages 14-15.

- a. Please confirm that, based on Postal Service methods, Within-County Periodicals constitute 0.156 percent of mail processing volume-variable costs reported in Dr. Czigler's Table 1. If you do not confirm, please explain.
- b. Please confirm that, based on Postal Service methods, Within-County Periodicals constitute 0.303 percent of city carrier in-office volume-variable costs reported in Dr. Czigler's Table 2. If you do not confirm, please explain.
- c. Do you believe that in her textbook Dr. Lohr referred to estimates of proportions of the magnitudes of the Within-County cost proportions from parts a and b?
- d. Do you propose that the CV for the costs of the Within-County Periodicals subclass should be about 1.5 percent, so that the confidence interval about the point estimate is ± 3 percent?
- e. If in part (d) you do not agree the CV should be no greater than 1.5 percent, what do you recommend as the maximum value for the CV for estimate of costs of Within-County Periodicals?
- f. Do you agree that the CVs of the pooled estimates you propose on page 17 (8.81 percent for mail processing, 9.13 percent for city carrier), which require two full years of data, are much greater than 1.5 percent? If you do not agree, please explain fully.
- g. Are the CVs of the pooled estimates you propose less than the maximum CV value you recommend in part(e)?

FIRST SET OF INTERROGATORIES FROM
THE UNITED STATES POSTAL SERVICE TO NATIONAL NEWSPAPER
ASSOCIATION WITNESS SIWEK

- h. Do you propose that the cost estimates for all subcategories of mail measured by the IOCS, no matter how small, should have a CV no greater than the value you recommend in part (e)?

USPS/NNA-T3-4. Please refer to your testimony at page 5, lines 9-10.

- a. Please confirm that the entire sentence from which you quoted is “Within-County Periodicals were not studied separate 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.”
- b. Do you disagree with Dr. Bozzo’s conclusion that the expected sample of Within-County Periodicals pieces from the Postal Service study would be too small to “support statistical inference”? Explain the basis for any disagreement.
- c. In your opinion, how many observations of Within-County Periodicals pieces would be needed to validate the Postal Service procedures?
- d. Assume the pre-deployment tests of the redesigned IOCS data collection instrument had been expanded to produce sufficient observations of Within-County Periodicals by the standard of your response to part (c). Would the additional costs of the expanded tests be borne by Within-County Periodicals? Please explain completely any answer other than a simple affirmative.

USPS/NNA-T3-5.

- a. Please confirm that the Within-County piece rates are less than Outside-County piece rates by percentages ranging from 64% to 85%, and that Outside-County piece rates are higher than Within-County piece rates by factors of 2.74 to 6.8. If you do not confirm, please provide the correct ranges of differences.
- b. Do you agree that the Periodicals rate structure provides publishers with a price incentive to mail eligible pieces at the lower Within-County rates rather than higher Outside-County rates? Please explain any negative answer.
- c. Please describe any circumstances known to you where a Periodicals piece is eligible to claim a Within-County rate but nevertheless was mailed at an Outside-County rate. Explain each circumstance fully, in particular the frequency with which such situations occur in the real world.

USPS/NNA-T3-6. Please refer to your testimony, where on p. 8 you state, “Mr. Heath also points out that in a costing environment for a lower volume subclass like Within-County Periodicals, ‘small errors loom large.’” Also, please also refer to Dr. Czigler’s response to NNA/USPS-T1-16 (Tr. 10/2402).

- a. Do you agree that the Postal Service analysis produced 193 direct tallies for Within-County Periodicals in FY2005? Please explain any disagreement.
- b. Do you agree that an error in one tally would affect the estimated costs of Within-County Periodicals on average by less than 1 percent—i.e., approximately 1/193? If not, please explain.
- c. Please identify which of the 193 Within-County tallies in the Postal Service’s dataset you would propose to recode as Outside-County Periodicals. Please describe all criteria you would apply for the purpose, and explain why you believe your classification to be more accurate than the Postal Service’s.

FIRST SET OF INTERROGATORIES FROM
THE UNITED STATES POSTAL SERVICE TO NATIONAL NEWSPAPER
ASSOCIATION WITNESS SIWEK

USPS/NNA-T3-7. Please refer to your testimony at page 6, lines 4-6. You state: By choosing to ignore actual postage payments and to focus only on eligibility, the USPS has introduced the possibility that the Within-County pieces that it analyzed were eligible for Within-County rates but were not assessed postage at those preferred rates.

- a. Please confirm that if a mailer indicates pieces at Within-County rates on a mailing statement, the mailer has actually paid Within-County rates for those pieces. If you do not confirm, please explain.
- b. If a mailer indicates Within-County pieces on a mailing statement, is it appropriate to infer that the mailer was eligible to claim Within-County rates for those pieces? If not, why not?
- c. Please also refer to Dr. Czigler's response to NNA/USPS-T1-17 (Tr. 10/2403), where Dr. Czigler states, "The count of 129 [tallies]... is the number of tallies identified by the recode.f program where PostalOne! reported a positive volume at Within-County rates in the same county as the destination of the periodical."
 - (i) Please confirm that for a majority of the Within-County Periodicals tallies, the Postal Service determined that the mailers had, in fact, actually paid Within-County rates. If you do not confirm, please explain.
 - (ii) Please reconcile your claim that the Postal Service "choos[es] to ignore actual postage payments" with Dr. Czigler's statement.

USPS/NNA-T3-8. Please refer to your testimony at page 6, lines 14-19, where you criticize the Postal Service analysis for not assessing Within-County rate eligibility on an issue-by-issue basis. Please provide any quantitative information you have on the extent to which eligibility for Within-County Periodicals rates actually varies from issue-to-issue for titles that claim Within-County rates at some point during a year.

USPS/NNA-T3-9. Please refer to your testimony at page 7, lines 3-13.

- a. Please explain your understanding of the number of Within-County tallies where the classification was made on the basis of circulation figures obtained from publication directories.
- b. Please explain in detail your understanding of the extent to which the circulation of the affected titles fluctuates over time.
- c. Do you have more current circulation figures for any of the tallies listed in USPS-LR-L-9, file 'hand2005.xls' that were classified as Within-County Periodicals based on circulation figures obtained from publication directories? If so, please provide the more current figures and describe your source(s) in detail.
- d. Are there other sources you would consider to be authoritative on the question of the circulation of Periodicals publications?

USPS/NNA-T3-10. Please refer to your testimony at page 7, line 19 to page 8, line 3. Please describe in detail the basis (e.g., DMM references) for your claim that the Postal Service "limits the time period during which Periodicals sent to such late-paying subscribers could actually qualify for Within-County rates."

FIRST SET OF INTERROGATORIES FROM
THE UNITED STATES POSTAL SERVICE TO NATIONAL NEWSPAPER
ASSOCIATION WITNESS SIWEK

USPS/NNA-T3-11. Please refer to your testimony at page 8, line 20-21. You state, "For Within-County Periodicals, the Postal Service assumes that original entry and destination counties should be the same."

- a. Please confirm that this is a requirement for Within-County rate eligibility. If you do not confirm, please explain.
- b. Please confirm that for each tally whose original entry and destination county match, the Postal Service subjected that tally to additional scrutiny to confirm its status as Within-County.

USPS/NNA-T3-12. Please refer to your testimony at page 9, lines 5-9. Please also refer to USPS-LR-L-9, file 'hand2005.xls.'

- a. Please explain your understanding of the number of Within-County tallies classified on the basis of prior years' identifications.
- b. For each of the affected tallies, do you have evidence that the publications had not been eligible to claim Within-County rates in FY 2005? If so, please describe it in detail.

USPS/NNA-T3-13. Please refer to your testimony at page 9, lines 14-21.

- a. Is it your testimony that the Gonzales Tribune does not claim Within-County rates for pieces it mails to addresses in Sonoma County, CA? If so, please provide all evidence to support your claim.
- b. Please confirm that the Gonzales Tribune tally is the only tally subject to the "local appeal" criterion in FY 2005. If you do not confirm, please explain.

USPS/NNA-T3-14. Please refer to your testimony, page 10. You state, "Since the Postal Service has not identified actual Within-County Periodicals in its cost studies, it has not measured the actual costs of Within-County Periodicals for use in this proceeding."

- a. Would you recommend, for instance, that every copy of a Periodical actually mailed at Within-County rates have identifying markings, which would enable data collectors to directly identify Periodical copies that were actually mailed at Within-County rates?
- b. Would you recommend a special study focused specifically on the costs of Within-County Periodicals?
- c. If your answer to part (b) is yes, do you agree that the costs for such a study should be attributed to Within-County Periodicals?

USPS/NNA-T3-15.

Please refer to your testimony, NNA-T-3, section VIII d), p. 17, where you write, "If the 2006 sample is not large enough to obtain accurate and reliable estimates for this low volume subclass, ...".

- a. Do you believe that sample size affects the accuracy of an estimate?
- b. If so, please explain how sample size affects the accuracy, as opposed to the precision, of an estimate.

FIRST SET OF INTERROGATORIES FROM
THE UNITED STATES POSTAL SERVICE TO NATIONAL NEWSPAPER
ASSOCIATION WITNESS SIWEK

USPS/NNA-T3-16. Please refer to your testimony, section VIII d), p. 17, where you quote “If it is desired that the sample contain a certain number of members from the rare population, the initial sample could be used to obtain a preliminary estimate of prevalence, and that estimate of prevalence is used to estimate the necessary size of the second sample.”

- a. Please confirm that it is Within-County Periodicals that are the rare members that you wish to sample. Please explain if you do not confirm.
- b. What is the number of rare Within-County Periodicals that in your judgment should be obtained in the second sample? Please justify your response.
- c. Please refer to USPS-LR-L-9, page 10, Table 3. Do you agree that there were 725,184 readings taken by the IOCS in FY2005?
- d. Please estimate the number of IOCS readings that would need to be taken in the second sample in order to obtain your desired number of readings with Within-County Periodicals.

USPS/NNA-T3-17.

Please refer to your testimony, section VIII(d) where you state, “Effectively, my cost estimates are based on a pooled sample combining the Shaw sample and the Czigler sample.”

- a. Do you believe that it is valid to pool data from two distinct populations to obtain a pooled estimate when those populations are significantly different from each other? If so, please provide justification from a standard statistics reference that supports your opinion.
- b. Do you agree that FY2005 estimated costs should reflect the FY2005 population of mail processed by FY2005 Postal Service operations? If not, why not?
- c. Please refer to Dr. Bozzo’s testimony, USPS-T-46, section IV.C.1, p. 35. Do you accept Dr. Bozzo’s statement that “The Within-County increase appears to have resulted from new methods to facilitate identification of Periodicals in the redesigned Question 23?” If not, please explain in detail the basis for disagreement.
- d. Do you agree that if Dr. Bozzo’s statement quoted in part (d) is true (whether or not you agree with it), it implies that the costs for Within-County Periodicals were understated in FY2004?

USPS/NNA-T3-18. Please confirm that, while the pound rates you propose in Appendix D to your testimony (at 10), increase current Within-County rates by less than 4 percent, all of the piece rates in your proposal (other than Ride-Along) would increase current rates by more than 30 percent, and that the piece rates for Basic Automation Flats, Basic Automation Letters, 3-Digit Automation Flats, 5-Digit Automation Flats, and 5-Digit Automation Letters would increase by more than 80 percent. If you do not confirm, please explain why not.

FIRST SET OF INTERROGATORIES FROM
THE UNITED STATES POSTAL SERVICE TO NATIONAL NEWSPAPER
ASSOCIATION WITNESS SIWEK

USPS/NNA-T3-19. In section VII(b) of your testimony you appear to recognize that comparisons between IOCS costs presented by witness Shaw in Docket No. R2005-1 and by witness Czigler in Docket No. R2006-1 present some difficulties (although they are for respective base years 2004 and 2005 – not 2005 and 2006 as you state in your analysis). Do you agree with this characterization?

- a. Is one difficulty the fact that different IOCS instruments were used to generate the respective cost estimates?
- b. Please provide justification from authoritative sources for your applying confidence intervals developed by witness Shaw for FY 2004 to estimates for FY 2005 using a revised instrument.