DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE AND FEE CHANGES, 1997 : DOCKET NO. R97-1

ANSWERS OF UNITED PARCEL SERVICE WITNESS KEVIN NEELS TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA (MPA/UPS-T1-1 through 3)

(February 11, 1998)

Pursuant to the Commission's Rules of Practice, United Parcel Service ("UPS") hereby serves and files the responses of UPS witness Kevin Neels to interrogatories MPA/UPS-T1-1 through 3 of Magazine Publishers of America.

Respectfully submitted,

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ANSWER OF UNITED PARCEL SERVICE WITNESS NEELS TO INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA

MPA/UPS-T1-1. Please refer to table A-1 on page A-of your testimony, and to table 17 of page 84 of witness Bradley's testimony.

(a) Please confirm that your "errors-in variables" estimates of variability for the Manual Letters and Manual Flats activities are 0.5881 and 0.6967 respectively. If you do not confirm, please explain.

(b) Please confirm that witness Bradley's "errors-in-variables" estimates of varibility for the Manual Letters and Manual Flats activities are 0.6048 and 0.6999, respectively. If you do not confirm, please explain.

(c) Since your testimony appears to claim (at page A-4, lines 6-8) that you reproduced witness Bradley's methodology for obtaining these estimates, please reconcile the apparant discrepancies between these two sets of estimates.

Response to MPA/UPS-T1-1. (a) Confirmed.

(b) Confirmed.

(c) Since I did not have the program used by witness Bradley in his errors-in-variables analysis, I relied upon the description of his methodology contained in his direct testimony on pages 80-83. Following the steps described therein, I arrived at the results shown in my direct testimony. Those results differ somewhat from those of witness Bradley.

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MPA/UPS-T1-2. Please refer to page 31, lines 20-22, of your testimony and define the phrase "full data set."

Response to MPA/UPS-T1-2. The full data set indicates all usable observations. In other words, only observations with missing values for one or more of the variables in the model were discarded from the data provided in the electronic version of LR-H-148.

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MPA/UPS-T1-3. Please refer to page 35, lines 18-21, of your testimony, where you described how you calculated the "effects of technological change" in witness Bradley's model, which you subsequently graphed in Figures 3 and 4. Refer also to witness Bradley's equation (2) at page 36 of his testimony.

a. By "the products of the time trend variables and their estimated coefficients," did you mean that the vertical distance between the horizontal axis and each of the points in Figures 3 and 4 was calculated by summing the products of each term on the righthand side of equation (2) in which t_1 or t_2 appears and its corresponding coefficient? Please answer "yes" or "no."

b. By "the products of the time trend variables and their estimated coefficients," did you mean that the vertical distance between the horizontal axis and each of the points in Figures 3 and 4 was calculated by summing the products of each term on the righthand side of equation (2) in which a linear or quadratic term in t_1 or t_2 appears by itself and its corresponding coefficient (i.e., excluding interaction terms)? Please answer "yes" or "no."

c. By "the products of the time trend variables and their estimated coefficients," did you mean that the vertical distance between the horizontal axis and each of the points in Figures 3 and 4 was calculated by summing the products of each term on the righthand side of equation (2) in which a linear term in t_1 or t_2 appears by itself and its corresponding coefficient (i.e., excluding interaction and higher-order terms)? Please answer "yes" or "no."

d. If your answers to parts a. through c. are all "no," please provide and explain the correct interpretation of the phrase, "the products of the time trend variables and their estimated coefficients", using witness Bradley's notation.

Response to MPA/UPS-T1-3. (a) Yes. The details of this calculation are set forth in my workpaper VI.

(b) No.

(c) No.

(d) N/A

DECLARATION

I, Kevin Neels, hereby declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

Kevin Neels

Kevin Neels

Dated: February 10, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with section 12 of the Commission's Rules of Practice.

John E. McKeever

Dated: February 11, 1998
Philadelphia, PA