

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

RATE AND SERVICE CHANGES TO IMPLEMENT
FUNCTIONALLY EQUIVALENT NEGOTIATED
SERVICE AGREEMENT WITH BRADFORD GROUP

Docket No. MC2007-4

RESPONSES OF POSTAL SERVICE WITNESS PARR
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-11-14)
(September 11, 2007)

The United States Postal Service hereby provides the responses of witness Parr to the following interrogatories of the Office of the Consumer Advocate, filed on August 27, 2007: OCA/USPS-T1-11-14.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 11, 2007

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PARR
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-11. Please refer to your testimony, Appendix E, the Proposed Data Collection Plan, as revised August 24, 2007. As part of the proposed Data Collection Plan (DCP), please confirm that the Postal Service proposes that the data collected and information developed be reported to the Commission on an annual basis. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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OCA/USPS-T1-12. Please refer to your testimony, Appendix E, the Proposed Data Collection Plan, as revised August 24, 2007.

- a. For each of the eight enumerated items in the proposed Data Collection Plan (DCP), please confirm that the Postal Service will be able to use the data collected or information developed to distinguish the Bradford Group's actual letter-shaped and flat-shaped volumes that are induced by the NSA's discounts from volumes caused by all other factors. For each enumerated item that you can not confirm, please explain. For each enumerated item that you can confirm, please give an example and provide sample calculations as to how you will distinguish actual letter-shaped and flat-shaped volumes that are induced by the NSA's discounts from volumes caused by all other factors.
- b. For each of the eight enumerated items in the proposed Data Collection Plan (DCP), please confirm that the Postal Service will be able to use the data collected or information developed to determine that any net contribution identified by the Postal Service as being received pursuant to the NSA is the result of the Bradford Group's actual letter-shaped and flat-shaped volumes induced by the NSA's discounts rather than volumes caused by all other factors. For each enumerated item that you can not confirm, please explain. For each enumerated item that you can confirm, please give an example and provide sample calculations as to how you will determine that the source of the identified net contribution is the result of actual letter-shaped and flat-shaped volumes induced by the NSA's discounts rather than volumes caused by all other factors.

RESPONSE:

- a. Not confirmed for each of the eight enumerated items in the proposed Data Collection Plan (DCP). For an explanation, please see my response to:

OCA/USPS-T1-7(a).
- b. Not confirmed for each of the eight enumerated items in the proposed Data Collection Plan (DCP). For an explanation, please see my response to:

OCA/USPS-T1-7(a).

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OCA/USPS-T1-13. Please refer to your testimony, Appendix E, the Proposed Data Collection Plan, as revised August 24, 2007. Please confirm that under the Data Collection Plan as proposed, the Postal Service will be unable to distinguish the Bradford Group's actual volumes that are induced by the NSA's discounts from volumes caused by all other factors. If you do not confirm, please explain. If you do confirm, please explain and provide a proposed Data Collection Plan that permits the Postal Service to distinguish the Bradford Group's actual volumes that are induced by the NSA's discounts from volumes caused by all other factors.

RESPONSE:

Confirmed. However, there is no Data Collection Plan that could be created that would allow the Postal Service to distinguish the volumes induced by discounts from volumes caused by all other factors. Please also see my response to: OCA/USPS-T1-7(a).

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OCA/USPS-T1-14. Please refer to your response to OCA/USPS-T1-4, which states, in part,

Given that I have three years of data for Bradford Group with only one price change during those years, the development of an own-price elasticity specific to the Bradford Group would result in an unreliable estimate.

- a. Please confirm that the “one price change during those [three] years” was the change in rates implemented January 8, 2006, in response to Docket No. R2005-1. If you do not confirm, please explain and identify the rate change to which you refer.
- b. Please explain why the “development of an own-price elasticity specific to the Bradford Group would result in an unreliable estimate.”
- c. Based upon the three years of data available, please provide an estimated own-price elasticity for the Bradford Group’s Standard Mail letters and flats. Please show all calculations.

RESPONSE:

- a. Confirmed.
- b. A statistically reliable econometric estimate, such as the measure of an elasticity, requires sufficient data to measure the relationship between dependent and independent variables. In this case, the one price change within the data we have available does not offer the opportunity to make such a measurement.
- c. As stated in my response to OCA/USPS-T1-4 and OCA/USPS-T1-14(b), calculating an estimated own-price elasticity based on only one price change over three years would produce an unreliable estimate. Nevertheless, the estimated own-price elasticity for the Bradford Group’s Standard Mail letters and flats would be calculated as follows:

$$e = \% \Delta Q_s \div \% \Delta P_s$$

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Where e = elasticity, Q_s = Standard Mail Volume letters and flats, and P_s = the Docket No. R2005-1 rate change. The measured change is between Calendar Year 2005 and CY 2006.

$$-1.163 = [(226,438,797 - 241,611,479) \div 241,611,479] \div .054$$

Again, I consider this estimate to be unreliable, and the Postal Service does not rely upon this figure in any way.