

ORIGINAL

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

RECEIVED
OCT 29 4 20 PM '96

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-54(e))

The United States Postal Service hereby provides a further response to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-54(e), filed on August 22, 1996. This response is filed in accordance with Presiding Officer's Ruling on OCA Motion to Compel, Presiding Officer's Ruling No. MC96-3/21, October 18, 1996. The response originally was due on October 28, 1996, but on that date the Postal Service filed a motion requesting a one-day extension of time to answer.

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

Respectfully submitted,

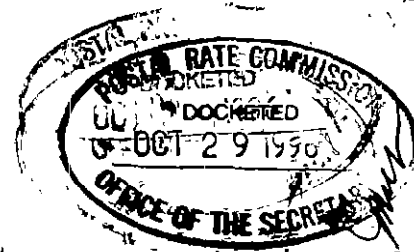
UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990; Fax -5402
October 29, 1996



U.S. POSTAL SERVICE RESPONSE TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-54(e)
Page 1 of 6

OCA/USPS-54. Please refer to the response to OCA/USPS-T5-14. This interrogatory states, "One hundred eighteen (118) offices advanced from CAG C or lower to CAG B or A since the [FY 1993] sample was drawn. Fifty (50) of these offices were in the sample in FY 1993."

e. In addition to any "certainty strata" offices that had no chance of selection in the FY 1995 IOCS sample, were there any offices in the noncertainty strata that had no chance for selection in the FY 1995 IOCS office sample? If so, please list these offices, their CAG designations, and the reason for their absence from the sampling frame.

OCA/USPS-54(e) Response:

The Postal Service, as its previous response to OCA/USPS-54(e) states, cannot identify for CAG C and below how many offices had no chance of selection in the FY 1995 IOCS sample. As explained below, a *full* answer can only be obtained by a direct comparison between the original IOCS sample frame used over 25 years ago and the FY 1995 sample frame, as well as all the intervening history regarding additions of new offices, migrations of all offices, closing of offices, consolidation or subdivision of offices. This comparison is not possible because the original IOCS sample frame, as well as much of the intervening history of the evolution of offices, cannot be located.

Notwithstanding our inability to provide a full response, we will respond as completely as possible. We will comprehensively review issues that we may not have adequately clarified.

U.S. POSTAL SERVICE RESPONSE TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-54(e)
Page 2 of 6

First: Why can a full answer to OCA/USPS-54(e) only be obtained by a direct comparison between the original IOCS sample frame used over 25 years ago and the FY 1995 sample frame as well as complete knowledge of all the intervening history of offices?

To identify which offices *did not have* a chance for selection in FY 1995, it is necessary first to identify which offices *had* a chance for selection in FY 1995. It is necessary to go back to the initial sample selection over 25 years ago because the sample is not redrawn each year.

With each passing year, some offices migrated between CAGs, some old offices closed in each CAG, new ones opened, others were consolidated, and still others were subdivided. For CAG A and B, new and migrating offices were added to the sample each year, so offices new to CAG A and B not only had a chance to be selected, but until FY 1992, they were actually included in the IOCS sample. For CAG C and below, it is *not* sufficient to compare the offices which existed in the FY 1995 sample frame with those which were sampled to determine which ones had no chance for selection. It is necessary to identify offices which existed in the FY 1995 sample frame but were not in the initial sample frame. As was stated in the September 30, 1996 Postal Service objection to OCA/USPS-84(d), this identification is not possible without the initial sample

U.S. POSTAL SERVICE RESPONSE TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-54(e)
Page 3 of 6

frame as well as complete knowledge of the intervening history of these offices. The example in the attachment provides an illustration of why the initial sample frame is a prerequisite, but is not sufficient to determine which offices did not have a chance for selection in the FY 1995 sample.

Second: If information was provided for CAG A and B, why can it not be obtained for CAG C and lower?

The information provided for CAG A and B in the September 6, 1996 response to OCA/USPS-54(c) was in terms of offices which were not included in the CAG A and B sample for FY 1995.

The 12 (68-56) offices which advanced to CAG A or B between FY 1993 and FY 1995, and the 28 offices which were not included in the FY 1995 CAG A and B sample were treated as if they had no chance for selection. Although it is a subtle point, some of these offices may have had a non-zero probability of selection. Whether they did or not depends on whether these offices existed, or were consolidated or subdivided from offices which existed when the initial IOCS sample was selected more than 25 years ago. Hence, although they were not in the sample for FY 1995, this should not be construed to mean that they had no chance of selection - they may have had a chance and not been selected when the initial IOCS sample was selected.

U.S. POSTAL SERVICE RESPONSE TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-54(e)
Page 4 of 6

Facilities or functions affiliated with post offices in CAG C or lower prior to the restructuring which were given new finance numbers and assigned to CAG A during the restructuring did not advance to CAG A on the basis of their revenues. This group, which was placed in CAG A/B for costing purposes, was considered to be a subset of offices in CAG C and lower. Some of these 56 finance numbers which were not in the CAG A or B sample in FY 1995 may have had a chance for selection, if their affiliated offices in CAG C and lower existed at the time the initial sample was selected. To determine which ones had a chance of selection requires knowledge of the initial sample frame and all the intervening history of these offices.

The lists of offices in CAG A and B which were not in the sample are small compared to that required to list all offices for CAG C and lower which were not in the sample in FY 1995. We could compile such a lengthy list, if that is desired. However, without the initial sample frame and complete knowledge of the intervening history of each one of these offices, it would not be possible to identify which offices on that list had no chance for selection in the sample in FY 1995. Moreover, it is expected that a very large number of those offices existed when the initial sample was selected, and hence had a non-zero probability of

U.S. POSTAL SERVICE RESPONSE TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-54(e)
Page 5 of 6

selection at that time, so such a list would be meaningless for assessing the validity of the IOCS sample.

Alternatively, we could compile a list of offices in CAG C or lower which existed at the beginning of FY 1995 but did not exist at the beginning of FY 1994, and which are not in the IOCS sample. Presuming these are new offices, and not a consolidation or subdivision of office(s) which existed at the beginning of FY 1994, these offices did not have a chance of selection in the FY 1995 IOCS sample. The validity of this compilation would rest on the validity of the "new office" assumption. In actuality, many of these "new offices" could be old offices redefined in some manner -- renamed, subdivided, consolidated, or otherwise changed. This is why complete information regarding the evolutionary history of all offices, which the Postal Service does not have, is necessary in order to compile an accurate list of offices which had no chance of selection for the FY 1995 IOCS sample.

Third: "The Postal Service apparently has records that allow it to track which offices advance to, or retreat from, a given CAG in a given year, because it adjusts its cost weighting factors accordingly. Id. It is reasonable to expect that there also are records that would allow identification of some (if not all) offices in existence in FY 1995 that were not in existence when the original IOCS sample

U.S. POSTAL SERVICE RESPONSE TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-54(e)
Page 6 of 6

frame was drawn, and therefore had no chance of being selected in the FY 1995 IOCS sample."

The Postal Service does not adjust cost weighting factors according to migration of offices in the sample frame for CAG C and below. Our estimation is based *solely* on the current year CAG designation. Offices in the sample were placed in the appropriate CAG for the current year. The CAG costs were then distributed to the sample office tallies within each CAG on the basis of the assumption stated in SSR-90.¹

¹ SSR-90 states that "for CAGs C through K, the sample of offices is a panel of offices which remains relatively fixed from year to year" and that "the method of estimation assumes that within CAGs C through K, the sample of offices in each CAG constitutes an equal probability sample."

ATTACHMENT TO OCA/USPS-54(e)

YEAR	SAMPLE FRAME	SAMPLE
Initial	1,2,3	1,2
FY1995	1,2,3,4	1,2

In the above example, "Initial" represents the year in which the original sample frame for CAG C and lower offices in the IOCS was determined. In that initial year, hypothetical offices 1, 2 and 3 constituted the sample frame, with all three offices having a chance for selection into the IOCS sample. From that sample frame, offices 1 and 2 were actually selected for the IOCS sample.

In the above example, in FY1995, hypothetical offices 1,2, and 3 are still in the sample frame, but office 4, representing a new office, has been added. Because the sample remains unchanged, offices 1 and 2 still constitute the sample. Offices 1, 2, and 3 all had a chance for selection in the FY1995 sample because they had a chance for selection initially. Office 4 did not have a chance for selection in FY1995 because it was not in the initial sample frame.

As can be seen from this example, it is impossible to say which offices did and did not have a chance for selection in FY1995 without a comparison with the initial year. Of course, this example does not address complications arising from the lack of complete knowledge concerning office evolutions over the intervening years.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 29, 1996