

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Periodic Reporting  
(Proposal Seven)

Docket No. RM2021-1

CHAIRMAN'S INFORMATION REQUEST NO. 7

(Issued June 8, 2021)

To clarify the Postal Service's petition to consider proposed changes in analytical principles, filed November 9, 2020,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. The responses should be provided as soon as they are developed, but no later than June 15, 2021.

1. Please refer to Library Reference USPS-RM2021-1-1, November 9, 2020, folder "1.Analysis Data Set," SAS dataset file "tcss\_fy19.sas7bdat" (Analysis Dataset). Please answer the following questions:

- a. Please confirm that for each contract cost segment (defined by two variables of the Analysis Dataset, "route" and "costsegmentcode"), the number of reported annual miles (shown in the Analysis Dataset as the variable "annmiles") is calculated as the sum over all trips in the contract cost segment of each trip distance (shown as the variable "tripmiles") multiplied by the frequency of this trip (shown as the variable "opfreq"). For example, for contract 330EH cost segment B, the annual miles will be calculated using the data from Table 1 and formula below:

$$\text{annmiles} = 1230*25+1119*25+1122*25+1119*25 =114750$$

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<sup>1</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Seven), November 9, 2020 (Petition). Along with the Petition, the Postal Service filed a report supporting Proposal Seven. See Research on Updating Purchased Highway Transportation Variabilities to Account for Structural Changes (Bradley Report).

**Table 1**  
**Data for Contract 333EH, Cost Segment B**

<b>"route"</b>	<b>"tripmiles"</b>	<b>"trip"</b>	<b>"opfreq"</b>	<b>"costsegmentcode"</b>	<b>"annmiles"</b>
330EH	1230	551	25	B	114750
330EH	1119	552	25	B	114750
330EH	1122	553	25	B	114750
330EH	1119	554	25	B	114750

Source: Analysis Dataset. Column names are taken verbatim from the source.

- b. If question 1.a. is confirmed, please explain why there are instances of the contract cost segments in the Analysis Dataset for which the value of "annmiles" variable (reported annual miles) is not equal to the annual miles calculated as described in question 1.a. (calculated annual miles). These instances include, but are not limited to, those provided in Table 2 below. If the observed discrepancy between the reported and calculated "annual miles" is due to error in the Postal Service's calculations, please provide corrected data files and discuss whether the error would also affect the variability estimates.

**Table 2**  
**Examples of the Contract Cost Segments for which the Value of Reported Annual Miles Differs from the Calculated Value**

<b>"route"</b>	<b>"costsegmentcode"</b>	<b>"annmiles"</b>	<b>annual miles</b>	<b>"con_desc"</b>
802Y7	B	280465	77549	XMAS INTER AREA
381Z0	B	118434	44331	XMAS INTER AREA
054L5	A	730435	835474	DYNAMIC ROUTING
606L7	A	308761	7252	REGULAR INTER P&DC

Source: Analysis Dataset. Column names in quotation marks are taken verbatim from the source. The values in the column labeled "annual miles" are calculated as explained in question 1.a. The reported and calculated values for annual miles are rounded to the nearest integer.

- c. If question 1.a. is confirmed, please also confirm that the actual annual miles for contract 601L4 cost segment B are not equal to zero and discuss whether this observation was correctly excluded from the variability calculations because the value of the “annmiles” variable was equal to zero. The data for contract 601L4 cost segment B is provided in Table 3.

**Table 3**  
**Data for Contract 601L4, Cost Segment B**

“route”	“costsegmentcode”	“tripmiles”	“trip”	“opfreq”	“annmiles”	“con_desc”
601L4	B	8.4	501	26	0	XMAS INTRA P&DC
601L4	B	5.8	502	26	0	XMAS INTRA P&DC

Source: Analysis Dataset. Column names are taken verbatim from the source.

- d. If question 1.a. is not confirmed or partially confirmed, please explain how the Postal Service calculates the annual miles for each contract cost segment, which are reported in the variable “annmiles” (e.g., provide the applicable formula, identify the circumstances when different formulas are applied).
2. Please refer to the Analysis Dataset. For very many Dynamic Routing contracts, as well as some regular Intra P&DC contracts, the length of each trip in miles (which is the value of “tripmiles” variable) is equal to 99,999.9 miles, and this is the maximum length of a trip in the Analysis Dataset. Please also refer to the Bradley Report that states “over half of DRO contract cost segments list a value of 99,999.99 for the route length variable, indicating that it is a meaningless variable for that type of contract. The appropriate specification for the econometric model for DRO contracts is therefore simpler than the established model for regular transportation contracts as it includes only cubic foot-miles as a cost driver.” Bradley Report at 34.
- a. Please discuss whether a trip length value of 99,999.9 is a result of some formatting, coding, or other issues and does not represent the actual trip length.

- b. Please discuss the effect that the trip length of 99,999.9 miles has on the variability estimates considering that “cubic foot-miles [are] calculated as the product of vehicle cube, trip length, and frequency.”<sup>2</sup>

By the Chairman.

Michael Kubayanda

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<sup>2</sup> Response of the United States Postal Service to Question 1 of Chairman’s Information Request No. 3, February 23, 2021, question 1.f.