

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSES ON BEHALF OF UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 15, QUESTION 2
(July 7, 2000)

On June 30, 2000, Presiding Officer's Information Request No. 15 (POIR-15) directed the filing of responses to three questions. Responses to questions one and three will be filed later. Responses to the three parts of question two are filed herewith.

The responses to parts (a) and (b) of question two are being filed as institutional responses, since they relate directly to planned rebuttal testimony that has not been completed. However, a rebuttal witness will be available to stand cross-examination regarding these responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

K N Hollies

Kenneth N. Hollies

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 15,
QUESTIONS 2(a) & 2(b)

2. The Postal Service initially estimated FY 1998 Parcel Post volume to be 266,479 thousand pieces (FY 1998 RAW, 11/5/98). In FY 1999, it retroactively adjusted the FY 1998 Parcel Post volume to be 316,148 thousand pieces (FY 1999 RAW, 11/19/99). The initial estimate of FY 1998 Parcel Post volume is based solely on the DRPW system and the adjusted estimate on a new BRPW/DRPW method. The difference between the two FY 1998 Parcel Post estimates is an increase of about 50 million pieces, or 19 percent.
- a. Please explain why the long-accepted DRPW sampling system was underestimating Parcel Post volume by such a large proportion in FY 1998.
- b. Please identify all aspects of the RPW sample design as well as the data collection, processing, and estimation methods that account for the difference between the two estimates in FY 1998. Do not include the sampling error in your investigation. For the procedures identified, please explain how their implementation may have occasioned or contributed to the discrepancy.
- c. * * *

RESPONSE:

- a. We had been considering the DRPW/BRPW discrepancy for some time both to identify its causes and to determine which source provided better estimates.¹ Our best understanding is that DRPW was undercounting volume because of a data collection issue. Permit imprint Bound Printed Matter in Standard Mail (B), like permit imprint Standard Mail (A), are noncountable (*i.e.*, not counted) in DRPW. We believe some DRPW data collectors were incorrectly generalizing by considering all Standard Mail (B) permit imprint mailpieces as noncountable.

Other factors contributing to an undercount could be (a) not sampling Parcel Post bearing the "Bulk" payment marking because of its

¹ This topic will be addressed in greater detail by rebuttal testimony.

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similarity to the Standard Mail (A) "Bulk Regular" marking; and, (b) not sampling the small amount of permit imprint Parcel Post that enters the Postal Service weighing less than a pound; this mail could be misidentified as Standard Mail (A) and would therefore be treated as noncountable.

- b. Sampling design, data processing and data estimation did not contribute to the DRPW parcel post undercount. The cause of the undercount lay in the data collection items described above in response to part (a). In all those examples, data collectors did not record the permit imprint Parcel Post mailpieces into the DRPW laptop software. Thus the volume was undercounted at the beginning of the DRPW system.

**RESPONSE OF WITNESS PAFFORD TO PRESIDING OFFICER'S
INFORMATION REQUEST NO. 15, QUESTION 2(C)**

POIR NO. 15-2. The Postal Service initially estimated FY 1998 Parcel Post volume to be 266,479 thousand pieces (FY 1998 RPW, 11/5/98). In FY 1999, it retroactively adjusted the FY 1998 Parcel Post volume to be 316,148 thousand pieces (FY 1999 RPW, 11/19/99). The initial estimate of FY 1998 Parcel Post volume is based solely on the DRPW system and the adjusted estimate on a new BRPW/DRPW method. The difference between the two FY 1998 Parcel Post estimates is an increase of about 50 million pieces, or 19 percent.

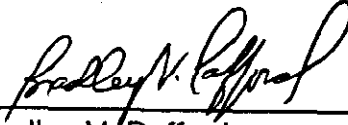
c. Please provide the coefficient of variation (C.V.) for the initial FY 1998 Parcel Post volume estimate of 266,479 thousand pieces.

RESPONSE:

c. The coefficient of variation (C.V.) for the initial FY 1998 Parcel Post volume estimate of 266,479 thousand pieces is 1.50 percent.

DECLARATION

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



Bradley V. Pafford

Date: July 7, 2000

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.

K N Hollies

Kenneth N. Hollies

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