

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSE OF POSTAL SERVICE WITNESS BRADLEY
TO INTERROGATORIES OF THE OCA (OCA/USPS-T15-1.a-c.f, 5),
REDIRECTED FROM WITNESS STEVENS
(May 20, 2005)

The United States Postal Service hereby provides the response of witness Bradley to the following interrogatories of the OCA, filed on May 6, 2005: OCA/USPS-T14-15,-1.a-c, f, 5, redirected from witness Stevens.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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May 20, 2005

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA
Redirected from Witness Dennis P. Stevens

OCA/USPS-T15-1. Please refer to your testimony at page 24, lines 8-9. You state, "Bulk delivery data were not used in the final analysis."

- a. Who made the decision not to use bulk delivery data?
- b. What were the reasons for not using the data?
- c. How was the time for bulk deliveries treated in witness Bradley's analyses?
- f. Please provide, in electronic form, any and all econometric computer programs and output that utilized the bulk delivery data.

Response:

- a. I made the decision to not use the bulk delivery variable in the econometric regression.
- b. A bulk delivery is the delivery of a single item, like a sack, containing many different individual pieces. For example, a bulk delivery may take place in the course of regular delivery within a delivery section when a carrier makes a delivery of a sack to a business along the normal line of travel. Please note that there are very few bulk deliveries. Only 15% of the route days included in the regression data set had any bulk deliveries and only 5% had more than two (out of an average of 485 delivery points).

I decided not to include the bulk deliveries variable in the econometric equation for the following four reasons. First, the bulk deliveries variable is not a volume variable; instead it is a measurement of the number of bulk deliveries that took place in a Zip Code. As such, it cannot be directly used to estimate a volume variability. Second, as mentioned above, bulk deliveries turn out to be a very low

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frequency event. The existence of a bulk delivery leads to a *de minimis* addition to the Zip Code's regular delivery time. Third, there is no measure for the number of pieces delivered in a bulk delivery. This reason is related to the first reason and reinforces the decision not to include the variable. Specifically, the inability to directly measure a volume variability could be mitigated if the volumes within bulk deliveries were available. Then, one could estimate or construct the elasticity of the number of bulk deliveries with respect to the volume being delivered. However, because the volumes within bulk deliveries are not available, this method of approximation is not possible. Fourth, there is no distribution key for bulk deliveries. An assumption would have to be made on how to distribute the costs to classes and subclasses. When viewed together, these reasons indicate that the inclusion of bulk deliveries would not add to measuring the volume variable cost of street time delivery and omitting them would not cause a problem for the estimation.

- c. The time associated with bulk deliveries would be included in the regular delivery time.

- f. As mentioned above, the bulk deliveries were not used in the econometric equations. The bulk delivery variable is already included in the program, ESTIMATING DELIVERY EQUATIONS.SAS which is provided in Library Reference LR-K-81.

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OCA/USPS-T15-5. Please refer to page 1 of USPS LR-K-80, where you state “These datasets were later merged with the CCSTS scan-time dataset into the database that witness Bradley (USPS-T-14) used to estimate delivery-time regression equations.” Please provide the methodology, programs, and an explanation of how this was accomplished.

Response:

The methodology for merging the data sets is the MERGE function in SAS. The data sets were merged on the unique route-day identified. That, is the observations from one data set from a given route day were merged with the observations from the other data sets for the same route day. The combined data set has one observation for the route day that includes all the variables from the data sets that were merged. The data sets were combined in the program entitled “ESTIMATING DELIVERY EQUATIONS.SAS” which is contained in Library Reference USPS-LR-K-81

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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