

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

Postal Rate Commission
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Postal Rate and Fee Changes

Docket No. R2005-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

(June 24, 2005)

The United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for changes in rates and fees. In order to facilitate inclusion of this material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers. The answers are to be provided within 14 days.

1. Please refer to USPS-LR-K-63, file Prices.xls, sheet "Standard", cells AY22, AZ22, AY40, AZ40, AY181, AZ181, AY199 and AZ199.
 - a. Please describe the method and provide the source of the numbers used to develop the "current" and "proposed" Standard Regular mail parcel surcharges of 0.2121 and 0.2241 in cells AY22 and AZ22, respectively.
 - b. Please explain why you have used the actual proposed Standard Regular mail parcel surcharge of 0.2420 in cells AZ40, AZ181 and AZ199 instead of the figure 0.2241 calculated in cell AZ22.
 - c. Please describe the method and provide the source of the numbers used to develop the "current" Standard Nonprofit mail parcel surcharge of 0.2285 in cell AY181.
 - d. Please explain why you did not use the actual proposed Standard Nonprofit mail parcel surcharge of 0.2300 in cells AY40, AY181 and AY199, as you have done for Standard Regular Mail.
2. For fiscal year 2004, please provide the total weight and average haul miles by zone for Priority mail, Passenger air transportation.

3. Please refer to POIR No. 5, Question 4 part b. which included the statement “FedEx costs are incurred based on cubic feet rather than weight.” In witness Taufique’s response he stated that the appropriateness of allocating FedEx costs to weight categories and zones depends on “the relationship between weight and FedEx ‘cube,’ as well as the ability to measure that relationship.” Witness Taufique also stated that the Postal Service is currently studying the relationship between weight and FedEx cube.
 - a. Please explain the meaning of “FedEx cube.”
 - b. Does FedEx bill the Postal Service on the basis of “FedEx cube”?
 - c. For the Postal Service study of the relationship between weight and FedEx cube please describe the study design and the schedule for completion. Please provide any preliminary findings or partial data that is available.

4. Please refer to the file “scan_rules.xls” in LR-K-133.
 - a. Please confirm that allocation to time pools of 238 of the 530 listed scan pairs depends on information, or decision rules, separate from the information provided by the scan pair itself. For example, the allocation of the scan pair “Clock Off Other – Start Account Delivery” depends on whether the pair follows a “Leave Office” scan, an “Arrive Deviation Park Point” scan, an “End Section” scan, or an “Activity” scan.
 - b. What percent of total scan pairs were subjected to such decision rules?
 - c. Please provide the total amount of time associated with the scan pairs mentioned in b, immediately above.

5. Please refer to the file “scan_rules.xls” in LR-K-133.
 - a. What percent of scan pairs subjected to a decision rule discussed in question 4, above, involve administrative activities such as other, break, emergency other, or lunch that were allocated to the category “Delivery?”

- b. Please provide the total amount of time associated with the scan pairs described in subpart a.
 - c. What percent of scan pairs subjected to a decision rule described in subpart a involve administrative activities such as other, break, emergency other, or lunch that were allocated to the category "Activity?"
 - d. Please provide the total amount of time associated with the scan pairs described in subpart c, immediately above.
 - e. What percent of scan pairs discussed in number 4 above were allocated to the category "Delivery?"
 - f. Please provide the total amount of time associated with the scan pairs described in subpart e, immediately above.
 - g. What percent of scan pairs discussed in number 4 above were allocated to the category "Activity?"
 - h. Please provide the total amount of time associated with the scan pairs described in subpart g, immediately above.
6. In the response to OCA/USPS-T-10-1, the Postal Service provides a table that shows the C/S 10 FY 2004 unit attributable cost for Registered Mail as \$0.97. In the Postal Service's response to OCA/USPS-132(b) a table is given showing corrected values for C/S 10 unit attributable cost for Registered Mail. The table shows a revised 2004 C/S 10 unit attributable cost of \$0.42. This is a difference of \$0.55 from the value given in OCA/USPS-T-10-1 ($97-42=55$).

According to the tables in the errata posted on June 22 to the testimony of witness Meehan (USPS-T-9), the 2004 total unit attributable cost of Registry was changed from \$16.22 to \$15.57 to account for the C/S 10 unit attributable cost revision. This represents a \$0.65 reduction in C/S 10 unit attributable cost. ($16.22-15.57=\$0.65$.) This implies that C/S 10 decreased by \$0.65.

- a. Please reconcile the difference between the calculations of the decrease of C/S 10 unit attributable cost for Registry Mail, i.e., \$0.65 vs. \$0.55.
 - b. Please file a correction to any tables that have an incorrect value concerning C/S 10 for Registry Mail.
7. Please refer to LR-K-81. Please confirm that a least-squares regression fit to a sample with improbably large outliers will be disproportionately influenced by those observations. Please provide the results of a suitable test for outliers for the full quadratic and restricted quadratic models performed with the sample data, along with documentation of these tests.
8. Please refer to LR-K-81. Please confirm that the t-values and other tests for significance witness Bradley has relied upon depend upon the assumption that the equation errors are approximately normal. Please provide the results of a suitable test for normality of residuals for the full and restricted quadratic models, along with documentation of these tests.
9. Please refer to LR-K-81. Please provide tests or other evidence that the Commission may rely on to confirm that the coefficients of the estimated parameters of witness Bradley's restricted quadratic model are not biased due to the omission of interaction terms. Please perform an appropriate test to determine whether the excluded interaction terms are correlated with the regressors remaining in the restricted quadratic model, along with documentation of this test.
10. Please refer to LR-K-81. Please perform an F-test of the hypothesis that all of the coefficients of the cross product terms contained in the full quadratic model are simultaneously equal to zero, along with documentation of this test.

11. Page 39, lines 1-2 of witness Bradley's testimony (USPS T-14) states that "[d]espite the loss of many right-hand-side variables the fit of the equation is still quite good and most coefficients have their expected signs and magnitudes."
 - a. Did you test to determine whether a better outcome was achieved by selectively removing a smaller number of the interaction terms from the full quadratic model? If so, please provide the results.
 - b. If you have not previously done so, please run your full quadratic equation removing only the interaction terms involving small parcels, and provide documentation of the results.
 - c. If this does not achieve a better outcome, please run your full quadratic model dropping interaction terms for both small parcels and letters, and provide documentation of the results.
 - d. If you believe additional improvements could be achieved by dropping additional interaction terms, please do so, and provide documentation of the results.

12. Please refer to LR-K-81. Please provide, if possible, the sample correlations of the matching residuals from the full quadratic and parcel/accountable regressions. Please confirm that if the error terms of these two regression models are correlated, it may be possible to improve the efficiency of the estimated parameters by re-estimating both with feasible generalized least-squares.

13. Please refer to LR-K-81.
 - a. Please confirm whether, on average, a carrier participating in the study delivered all of the mail shapes given to him/her on any given day, including large parcels, accountables, letters, flats, sequenced mail, small parcels and collection mail.

- b. Please confirm that your models for regular mail delivery make no use of the corresponding data for parcels/accountables.
 - c. Please confirm that your model for parcels/accountables makes no use of the corresponding data for other kinds of mail.
 - d. If your answers to a. and c. are in the affirmative, please explain why you chose to fit independent models for regular mail and parcels/accountables.
14. Please refer to LR-K-81.
- a. Please confirm that the residuals from both the full quadratic and restricted models show evidence of heteroskedastic errors.
 - b. Please confirm that the sample observations are sums taken over different numbers of routes.
 - c. Is this likely to cause the errors to be heteroskedastic?
 - d. Can the observations in the sample be scaled to eliminate this source of heteroskedasticity?

George Omas
Presiding Officer