Postal Rate Commission
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006–1

STATUS REPORT OF THE UNITED STATES POSTAL SERVICE REGARDING RESPONSES TO ITEMS 4-12 OF POIR NO. 4
(June 9, 2006)

On June 1, 2006, the Presiding Officer issued Presiding Officer's Information Request No. 4. Items 4-12 of the POIR relate to city carrier data collected by the Postal Service in 2004 that are similar to the city carrier data that were collected by the Postal Service in 2002 and presented in Docket No. R2005-1. POIR No. 4 calls for responses to be provided by June 14, 2006, a response period of 13 days. Obviously, when issuing his request, the Presiding Officer had no basis for knowing the status of the material he was requesting (e.g., was it all prepared and simply waiting a request for production, or would substantial preparation and analysis be necessary to provide the requested responses.) The purpose of this status report is to fill that information gap.

Unfortunately, the Postal Service has not yet been able to devote as much time or effort to the preparation and analysis of these data as appears to be contemplated by the POIR. Attached is a detailed status report explaining the limited progress that has been made thus far, the series of individual steps that will need to be taken to finalize the data set for analysis, and the further steps necessary to conduct the requested analysis. Combining the range of estimates of the three steps identified in the attachment, after allowance for activities that can be conducted concurrently, yields an aggregate estimate of 13-18 weeks. The Postal Service has embarked on the identified series of tasks, and will strive to meet or exceed the estimate time ranges.

Needless to say, however, the ability to do so will be affected by what other obligations are imposed on the witnesses, staff, and consultants endeavoring to complete these tasks. Approaching the most intense period of rate case discovery, it seems reasonable to anticipate other workload demands. The Postal Service will undertake its usual efforts to balance competing objectives, but at some future point may request assistance in setting priorities. For now, work on the POIR response is proceeding apace.

Moreover, on perhaps a more positive note, the Postal Service and the OCA have for some time been working informally on the production of additional carrier information from DOIS. It is hoped that the results of those efforts should be available sometime around the end of June or early July. Since the bulk of the DOIS data programming and extraction is being done by an entirely separate set of consultants (working outside of the ratemaking area), there will be little disruption to those efforts caused by the new focus on the 2004 study data. The possible exception might be in terms of review and reformatting (e.g., encryption) of the DOIS data pulled by the programmers, which does require the involvement of the ratemaking carrier team. But the DOIS effort (which merely involves data production, as opposed to the POIR which also requests data analysis) is more advanced than the effort to address the 2004 data study.

As this report is intended to make clear, the Postal Service has no feasible means to prepare responses to the set of items (4-12) in POIR No. 4 relating to the 2004 city carrier data within the 13-day time period allotted in that document. Barring any input to the contrary or unanticipated intervening events, the Postal Service proposes to 1) proceed through the steps outlined in the attachment, 2) file status reports when it has completed each of the first two steps, and 3) file responses to items 4-12 of POIR No. 4 when the requested analysis is completed.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**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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## Work Plan for Responding to POIR No. 4

The analysis of the FY 2002 data presented in Docket No. R2005-1 required approximately seven months from the receipt of the raw data to initial regression results. The preparation of a similar analysis can be shortened considerably for two reasons: the data have already been double keypunched, and the FY 2002 analysis can be used as a roadmap for the analysis of the FY2004 data. Nevertheless, the preparation of the requested cost pool dataset and the regressions is a complex multi-step task. The following work plan outlines what must be done to complete the analysis. Please note that some portions of Step 2 can be done concurrently with Step 1. It is estimated that approximately 3 to 4 weeks will be required to complete Step 2 once Step 1 is finished.

### Step 1: Prepare cost pool program and form cost pools. (6 to 8 weeks)

1.1 Identify and articulate any changes in scans that affect cost pool definitions.

1.2 Construct and provide barcode pair definitions equivalent to LR-K-133, file Scan_Rules.xls.

1.3. Prepare a new cost pool program. The new cost pool program must be reviewed carefully to ensure accuracy in the algorithms, and must then be compared against program and algorithms used in 2002 study.

1.4 Audit initial coding of cost pool program to ensure program accuracy. Review data and results to identify and clear coding, data entry or data reporting problems.

1.5 Review protocol of the definition of “error” scans. Choose final approach Prepare analysis of major sources of error to see if, as suggested by the Commission, if any are “recoverable.”

1.6 Construct recovery algorithms for recoverable scan pairs.

1.7 Construct a completed cost pool data set including the following categories:

- Barcode sequences that are errors including an identification of the major sources of error sequences.
- Barcode sequences that define only one valid cost pool.
- Split sequences, which consist of either a set of alternative cost pools, or the combination of an error sequence and a valid cost pool
- The decision rules that determine which alternative in each set should be chosen.

1.8 Prepare comparison of 2004 results with 2002 results. Investigate reasons for differences, if any.

**Step 2: Prepare regression data sets. (4 to 6 weeks)**

2.1 Construct initial letter/flat, parcel/accountable, and time pool data sets. Review ZIP CODE, date, and route number hygiene.

2.2 Review ZIP CODES in the ZIP CODE field of the time pool file. Identify ZIP CODES that are potentially problematic. Examples of problematic ZIP CODES include having reported ZIPS that are different from the ZIPS that were actually selected for the 2004 CCSTS sample, or having reported ZIP CODES that are different from those listed in the 8-character route-number field.

2.3 Where necessary, make the appropriate corrections to these ZIP codes.

2.4 Merge the volume and time pool data sets. Review results of merge to identify patterns/source of mismatch and to ensure accurate coding.

2.5 Identify ZIP CODE/route number errors that can be corrected, and implement procedures similar to those applied to the 2002 CCSTS data in order to make as many corrections as possible to increase the match rates among the ZIP-route-date records on the time pool and volume datasets.

2.5 After making all possible ZIP-route-date corrections, calculate attrition rates in the reporting of letter/flat volumes, parcel/accountable volumes, and scan times, and estimate corresponding daily percentages of maximum routes observed data (as Witness Bradley did in response to R2005-1, POIR 8, Q1).

2.5 Update the geographic density file to 2004.

2.6 Obtain estimates of total possible delivery points by type for each route in the 2004 CCSTS as of April 2004.

2.7 Evaluate and, if necessary, revise the conversion factors that have been calculated to convert trays, tubs, and hampers of mail collected at customer delivery points into measures of letter and flat pieces collected.

2.8 Construct the regression data set. Review attrition for determination of the final data set.

**Step 3: Estimate econometric equations. (2 to 3 weeks)**

1. Follow research path that lead to recommended model. Estimate pooled, cross-sectional and fixed effects models for letter/flat and parcel/accountable models.

2. Consider the existence and effects of econometric problems that are influencing the results such as: heteroscedasticity, multicollinearity, outliers, missing observations, etc.

3. Implement, where possible, changes and improvements in econometric methods suggested by the Commission in its Docket No. R2005-1 Opinion.

4. Investigate operational and variable definition changes that would require modification of the econometric specification.

5. Review results for accuracy.