

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS THRESS
TO INTERROGATORIES OF POSTCOM (POSTCOM/USPS-T7-1 - 7, 9 - 10, 13 - 17)
(July 21, 2006)

The United States Postal Service hereby provides the response of witness

Thress to the following interrogatories of Postcom, filed on July 7, 2006:

POSTCOM/USPS-T7-1 - 7, 9 -10, 13-17. Questions 8, 11-12, and 18 have been
redirected to the Postal Service.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 21, 2006

RESPONSE OF POSTAL SERVICE WITNESS THRESS
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POSTCOM/USPS-T7-1.

Have all data necessary to replicate all of the models outlined in the "LIBRARY REFERENCE USPS-LR-L-64: DEMAND ANALYSIS ECONOMETRIC MATERIALS" (herein referred to as "final model") been produced within the following library references: LR-L-63, LR-L-64, LR-L-65, LR-L-66 (herein referred to LR-L-63 – 66) in the requested Data Format? If so, please describe its location within these files. If not, please provide all the data necessary to replicate the models in the requested Data Format.

RESPONSE:

Yes. All of the data used to produce all of the econometric models outlined in LR-L-64 are provided in the Excel file entitled R2006Data.xls, which was provided with LR-L-64.

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POSTCOM/USPS-T7-2.

Have all data necessary to replicate all of the models outlined in the "LIBRARY REFERENCE USPS-LR-L-65: DEMAND ANALYSIS ECONOMETRIC CHOICE TRAIL" (herein referred to as "exploratory analysis") been produced within LR-L-63 – 66 in the requested Data Format? If so, please describe its location within these files. If not, please provide all the data necessary to replicate the models in the requested Data Format.

RESPONSE:

No. Although it goes beyond my understanding of what Rule 31 requires, an updated version of R2006Data.xls, which includes all of the data necessary to replicate all of the models outlined in LR-L-65, is being attached as an Excel file to this response.

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POSTCOM/USPS-T7-3.

Have all EViews programs and workfiles necessary to replicate all of the models outlined in the "LIBRARY REFERENCE USPS-LR-L-64: DEMAND ANALYSIS ECONOMETRIC MATERIALS" (final model) been produced within library reference LR-L-64? If not, please provide all the programs and workfiles necessary to replicate the models. Please include a Glossary of Variable Names for each program provided.

RESPONSE:

Yes.

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POSTCOM/USPS-T7-4.

Have all EViews programs and workfiles necessary to replicate all of the models outlined in the "LIBRARY REFERENCE USPS-LR-L-65: DEMAND ANALYSIS ECONOMETRIC CHOICE TRAIL" ("exploratory analysis") been produced within the LR-L-65 library reference? If not, please provide all the programs and workfiles necessary to replicate the models. Please include a Glossary of Variable Names for each program provided.

RESPONSE:

No. Although it goes beyond my understanding of what Rule 31 requires, two EViews programs (Postcom.T7.Q4.Attach.1.prg and Attach.2.prg), are electronically attached to this response. The former of these EViews programs generates the regression output presented in section II of LR-L-65, while the latter EViews program generates the regression output presented in section IV of LR-L-65.

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POSTCOM/USPS-T7-5.

Do each of the programs referred to in questions POSTCOM/USPS-T7-3 – 4 include all necessary variables definitions as a function of the data provided in LR-L-63 to reproduce final model results? If not, please produce the additional programs and workfiles necessary to fully replicate the models outlined above. Please include a Glossary of Variable Names for each program provided.

RESPONSE:

All of the data used in my econometric investigations are either transformed within R2006Data.xls or within the EViews programs themselves. All of the variable names used by me in this case should be defined in the Glossary on pages 63-107 through 63-117 of Library Reference LR-L-63 filed by me in this case.

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POSTCOM/USPS-T7-6.

Are the contents of the files DEQN.PRG (the text of which starts on page 64-276) and demandequations.prg (a separate file in LR-L-64) equivalent? Refer to page 38 of DEQN.prg with the line that reads: "%ols_start = "1993:1". If these files are not equivalent, please describe the differences and confirm which code produces the final model results.

RESPONSE:

Yes, as far as I know, these are identical. I do not understand the reference to "page 38 of DEQN.prg." As far as I can tell, this program only spans 30 pages of LR-L-64. If some differences do exist of which I am not aware, I am certain that the correct code is found in the EViews file, Demandequations.prg, filed with Library Reference LR-L-64.

RESPONSE OF POSTAL SERVICE WITNESS THRESS
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POSTCOM/USPS-T7-7.

Have any calculated formula results in the Excel spreadsheets provided within library references LR-L-63 – 66 been overwritten using the 'Paste Special... Values' feature in Excel, or been otherwise hidden or removed from view? If so, please produce versions of all Excel spreadsheets with all calculated formulas intact and operational.

RESPONSE:

Not that I am aware of.

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POSTCOM/USPS-T7-9.

Please produce quarterly volume data for all variables underlying Tables 24 and 25 of USPS-T-7 in all available years after 1970, including but not limited to volume data for Standard Regular mail. Please deliver this data in the requested Data Format with an accompanying Data Dictionary. If this data in the requested Data Format is already available in library references LR-L-63 – 66, please describe its location within the files.

RESPONSE:

The data used in my econometric demand equation for Standard Regular mail, the results of which are presented in Tables 24 and 25 of USPS-T-7 is presented in the Excel spreadsheet R2006Data.xls in LR-L-64. The derivation and descriptions of this data can be found in Library Reference LR-L-63 and in the Excel spreadsheets which were filed accompanying that library reference.

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POSTCOM/USPS-T7-10.

Please produce details of the exploratory analysis of Standard Regular mail related to Tables 24 and 25 of USPS-T-7, including any variables included but not presented or examined, but excluded from the final analysis (e.g. prices of newspapers). Please provide all the programs and workfiles necessary to replicate the analysis. Please include a Glossary of Variable Names for the analysis provided. Please deliver all data in the requested Data Format with an accompanying Data Dictionary. If any or all programs, workfiles and data in the requested Data Format are already available in library references LR-L-63 – 66, please describe its location within the files.

RESPONSE:

The details of my exploratory analysis of Standard Regular mail are presented in my testimony (USPS-T-7) at pages 91 – 114. The Standard Regular demand specification is unchanged in this case as compared with R2005-1. The details of my exploratory analysis of Standard Regular mail in that case can be found in my R2005-1 testimony (USPS-T-7) as well as in my choice trail library reference in that case (LR-K-65).

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POSTCOM/USPS-T7-13.

Please produce quarterly price and volume data of other parcel carriers, including but not limited to FedEx, UPS, DHL, etc. for all years after 1970 for which it is available (separately for all delivery methods including but not limited to ground delivery). Please deliver the data in the requested Data Format with an accompanying Data Dictionary. If this data is already available in the requested Data Format in library references LR-L-63 – 66, please describe its location within the files. Please include a detailed description and examples of the methodology used to adjust the UPS, FedEx, and DHL numbers for ground package delivery to the Postal fiscal year.

RESPONSE:

Quarterly price and volume data for FedEx and UPS, to the extent to which I make use of them within my work in this case, can be found in the file Prices.xls, filed within LR-L-63, in this case, at sheets 'UPSGround', 'FedEx', and 'FedExGround.'

Although I am not familiar with them, I have been informed that other materials that possibly may include information of interest include:

Docket No. R84-1

USPS-LR-D-44 Express Mail Competitor Rates

Docket No. R90-1

USPS-LR-F-295 Twenty Years to Monopoly by United Parcel Service, Herbert Whitten & Associates, Inc. (May 30, 1990)

USPS-LR-F-296 UPS Combined Operating Statistics

USPS-LR-F-304 Diskette for Musgrave Competitor Average Revenue Series

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POSTCOM/USPS-T7-14.

Please produce details of the exploratory analysis for other parcel carriers, including but not limited to FedEx, UPS, DHL, etc. Include any variables included but not presented or examined, but excluded from the final analysis. Please provide all the programs and workfiles and data necessary to replicate the analysis. Please include a Glossary of Variable Names for the analysis provided. Please deliver all data in the requested Data Format with an accompanying Data Dictionary. If these programs, workfiles, and data in the requested Data Format are already available in library references LR-L-63 – 66, please describe its location within the files.

RESPONSE:

I do not understand what you are asking for here. I have made no exploratory analysis of any other parcel carriers beyond the cursory examination of their volumes presented within the body of my testimony.

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POSTCOM/USPS-T7-15.

Please produce quarterly data for all variables underlying Tables 45 and 46 of USPS-T-7 in all available years after 1970, including but not limited to quarterly volume data for Bound Printed Matter. Please deliver this data in the requested Data Format with an accompanying Data Dictionary. If this data in the requested Data Format is already available in library references LR-L-63 – 66, please describe its location within the files.

RESPONSE:

The data used in my econometric demand equation for Bound Printed Matter, the results of which are presented in Tables 45 and 46 of USPS-T-7 is presented in the Excel spreadsheet R2006Data.xls in LR-L-64. The derivation and descriptions of this data can be found in Library Reference LR-L-63 and in the Excel spreadsheets which were filed accompanying that library reference.

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POSTCOM/USPS-T7-16.

Please produce details of the exploratory analysis of Bound Printed Matter as presented in Tables 45 and 46 of USPS-T-7, including any variables included but not presented or examined, but then excluded from the final regression analysis. Please provide all the programs and workfiles necessary to replicate the analysis. Please include a Glossary of Variable Names for the analysis provided. Please deliver all data in the requested Data Format with an accompanying Data Dictionary. If programs, workfiles and data in the requested Data Format are already available in library references LR-L-63 – 66, please describe its location within the files.

RESPONSE:

The details of my exploratory analysis of Bound Printed Matter are presented in my testimony (USPS-T-7) at pages 186 – 193. Experiments which led to changes to the Bound Printed Matter demand specification in this case vis-à-vis R2005-1 are presented in LR-L-65 at pages 526 – 609.

RESPONSE OF POSTAL SERVICE WITNESS THRESS
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POSTCOM/USPS-T7-17.

In analyzing the cross-price elasticities of BPM with respect to Media Mail, and of Media Mail with respect to BPM, have you considered the content restrictions on BPM and Media Mail that may restrict the eligibility of the mail volumes for each subclass? If so, how? What volume data forms the basis of your assessment of these cross-price elasticities?

RESPONSE:

I am aware that content restrictions may restrict the eligibility of mail volumes for each of these subclasses. It is my understanding that these content restrictions have remained unchanged over the sample period over which I have estimated these cross-price elasticities. Because of this, I did not believe that it was necessary to take explicit account of such restrictions. To the extent that such restrictions may limit the extent to which these two subclasses may act as substitutes for one another, this will be incorporated within the econometric estimates of the cross-price elasticities of these two subclasses with respect to each other.

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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July 21, 2006