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

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
KIRK KANEER TO INTERROGATORY OF DAVID POPKIN
DBP/USPS-T41-10

The United States Postal Service hereby provides the response of witness Kirk Kaneer to the following interrogatory of David Popkin: DBP/USPS-T41-10, filed on August 3, 2006.

The interrogatory is stated verbatim and followed by the response:

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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DBP/USPS-T41-10. Please refer to your responses to Interrogatory DBP/USPS-T41-9.

[a] Please explain why the constant shown for the three offices is shown as 45.5187388 while the constant shown on page 102 of Part B of USPS-LR-L-125 for New York City is 35.74558. If this required [sic] a revised Erent value, please advise [sic] the new value.

[b] It would appear that each facility should have an entry of 1 in either the Nopark or SomePark entries. Please explain why Tenafly[,] NJ has a 0 in both entries.

RESPONSE:

[a] The difference between the values you cite reflects the impact of variables (time period and lease length) that take on specific values when calculating Erents for a particular equation. See USPS-LR-L-125, Part A, “Estimating Erents For Postal Facilities”, pages 3-4. The Erents do not need revision. The table below illustrates how the larger value is derived from the smaller one.

Constant Validation, NYC Equation					
			Constant	=	35.7455800
Factor	Coef.		Factor Value		
time37	-0.023356	*	47	=	-1.0977367
time40	0.072633	*	47	=	3.4137275
time44	0.106504	*	47	=	5.0056880
LseLeng	0.490296	*	5	=	2.4514800
			Subtotal		9.7731588
			Total		45.5187388

[b] See USPS-LR-L-125, Part A, “Estimating Erents For Postal Facilities”, page 5, paragraph 2, definitions for Nopark and SomePark variables. Being non-mutually exclusive, these variables may each take the value “0”, thus avoiding the regression specification error known as the “Dummy Trap”.[1]

[1] See, Damodar Gujarati, Basic Econometrics, McGraw-Hill, 1978, pp. 289-291.