

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

UNITED STATES POSTAL SERVICE INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO OFFICE OF CONSUMER ADVOCATE
WITNESS ROBERTS: USPS/OCA-T1-10 THROUGH 18
September 15, 2006

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Office of Consumer Advocate witness Mark Roberts: USPS/OCA-T1-10 through 18.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 15, 2006

OCA/USPS-T1-10.

Please refer to Tables 3 and 6 in your testimony, OCA-T-1. Please provide the marginal time (workhours) per FHP implicit in each of the coefficients on $\log(\text{FHP}_{\text{IN}})$ and $\log(\text{FHP}_{\text{OUT}})$. Please show your calculations.

OCA/USPS-T1-11.

Please refer to USPS-T-12, Section VII.G (page 101-104) and Appendix E.

- a. Did you consider Dr. Bozzo's FY 2005 update of your March 2006 model in preparing your testimony? If not, why not? If so, please explain why you rejected that approach.
- b. If you do not discuss the matter in your response to part a, please describe your views on the relative merits of the aggregate BCS operation group employed in your analysis and the approach employed by the Postal Service using separate incoming and outgoing BCS groups.

OCA/USPS-T1-12.

Please refer to Section VIII.A (pages 31-33) of your testimony. Please also refer to Dr. Neels's testimony, UPS-T-1, at page 30, especially Table 10.

- a. Did you analyze, or consider an analysis, of the validity of your excluded instruments, using the Anderson-Rubin statistic employed by Dr. Neels or some other statistic you consider more appropriate? If so, please describe your analysis and provide all results. If not, why not?
- b. If your answer to part a indicates that you did not conduct an analysis of instrument validity, either (i) provide the point estimates and associated p-values of the Anderson-Rubin statistic for each cost pool using your base model or (ii) explain why you believe that the statistic is an inappropriate diagnostic.
- c. Please describe how your criteria for determining instrument relevance show that your analysis was not susceptible to the "weak instruments" problem discussed by Dr. Neels.

OCA/USPS-T1-13.

Please refer to your testimony at page 36 (especially footnote 17), page 48 (especially footnote 18), and Table 7.

- a. Please confirm that you used FY 2005 workhour weights to combine the elasticities in your "base" letter and flat models. If you do not confirm, please explain.
- b. Please confirm that you used FY 1999 workhour weights to combine the elasticities in your analysis of "Plants that do not use AFSM," reported in Table 7.
- c. Please confirm that FSM 881 equipment have been withdrawn from service. If you do not confirm, please explain.
- d. Please explain why you chose FY 1999 weights, with an FSM 881 share of 0.521, rather than FY 2005 weights, with an FSM 881 share of zero, for the "Plants that do not use AFSM" analysis.

OCA/USPS-T1-14.

Please refer to your March 2006 paper, Table 3 (page 69).

- a. Please provide an update to the table, including data for FY 2005 Quarter 1, using the sample selection methods from your base models in OCA-T-1.
- b. Please provide tables (similar to that provided in response to part a) showing the incoming FHP, outgoing FHP, and fractions of incoming FHP by operation for manual letters, OCR, aggregate BCS, manual flats, FSM 1000, and AFSM 100. Please use the sample selection methods from your base models in OCA-T-1.

OCA/USPS-T1-15.

Please refer to OCA-T-1, Table 6, and to Table 5 of your March 2006 paper. Please also refer to USPS-T-12, Table E-2 (page 128).

Manual Flats	Roberts (2006) Results (Table 5, p. 71)	USPS-T-12 FY 2005 Model (USPS-T-12, Table E-2, p. 128)	OCA-T-1 results (Base Model; Table 6, Table 7)
Incoming FHP elasticity	.526	.55	.168
S.E., Incoming FHP elasticity	.140	.14	.170
Outgoing FHP elasticity	.078	.06	.422
S.E., Outgoing FHP elasticity	.073	.07	.288
Total of FHP elasticities	.604	.62	.590
S.E. of Total	Not reported	.14	.201
R ²	.223	.23	.079

- a. Please confirm that the above table correctly reports the results from the specified sources. If you do not confirm, please provide a corrected table.
- b. Would you characterize the differences in the results for the “Total of FHP elasticities” for the three models listed as being statistically or qualitatively significant?
- c. Please confirm that the “Incoming FHP elasticity” you report for manual flats in your March 2006 paper differs significantly from zero at the 1% significance level in a two-tailed test. If you do not confirm, please explain.
- d. Please confirm that neither the “Incoming FHP elasticity” nor the “Outgoing FHP elasticity” from the manual flats model presented in Table 6 of OCA-T-1 differ significantly from zero at commonly used significance levels using a two-tailed test. If you do not confirm, please explain.

- e. Please confirm that the manual flats model presented in Table 6 of OCA-T-1 yields higher standard errors of the FHP elasticities than the models presented in USPS-T-12 and in your March 2006 paper. If you do not confirm, please explain.
- f. Please confirm that the manual flats model presented in Table 6 of OCA-T-1 explains relatively less of the variation in manual flats workhours (as indicated by the R-squared) than the models presented in USPS-T-12 and in your March 2006 paper. If you do not confirm, please explain.

OCA/USPS-T1-16.

Please refer to OCA-T-1, Table 6, and to Table 5 of your March 2006 paper. Please also refer to USPS-T-12, Table E-2 (page 128).

FSM 1000	Roberts (2006) Results (Table 5, p. 71)	USPS-T-12 FY 2005 Model (USPS-T-12, Table E-2, p. 128)	OCA-T-1 results (Base Model; Table 6, Table 7)
Incoming FHP elasticity	.651	.65	.712
S.E., Incoming FHP elasticity	.206	.21	.281
Outgoing FHP elasticity	-.088	-.09	.969
S.E., Outgoing FHP elasticity	.085	.08	.470
Total of FHP elasticities	.563	.57*	1.681
S.E. of Total	Not reported	.21	.334
R ²	.392	.39	.333

* Difference is due to rounding.

- a. Please confirm that the above table correctly reports the results from the specified sources. If you do not confirm, please provide a corrected table.
- b. Please confirm that the “Incoming FHP elasticity” you report for FSM 1000 in your March 2006 paper differs significantly from zero at the 1% significance level in a two-tailed test. If you do not confirm, please explain.
- c. Please confirm that neither the “Incoming FHP elasticity” nor the “Outgoing FHP elasticity” from the FSM 1000 model presented in Table 6 of OCA-T-1 differ significantly from zero at the 1% significance level using a two-tailed test. If you do not confirm, please explain.
- d. Please confirm that the FSM 1000 model presented in Table 6 of OCA-T-1 yields higher standard errors of the FHP elasticities than the models presented in USPS-T-12 and in your March 2006 paper. If you do not confirm, please explain.
- e. Please confirm that the FSM 1000 model presented in Table 6 of OCA-T-1 explains relatively less of the variation in manual flats workhours (as indicated by the R-

squared) than the models presented in USPS-T-12 and in your March 2006 paper. If you do not confirm, please explain.

- f. Are the differences in the “Incoming FHP elasticities” among the three models statistically significant? Do you regard the range between 0.65 and 0.71 as qualitatively significant? Please explain.
- g. Please confirm that the difference in the “Outgoing FHP elasticity” between your OCA-T-1 results and your March 2006 paper accounts for most of the difference in the total of the FHP elasticities for the FSM 1000 operation. If you do not confirm, please explain.

OCA/USPS-T1-17.

Please refer to OCA-T-1, Table 6, and to Table 5 of your March 2006 paper. Please also refer to USPS-T-12, Table E-2 (page 128).

ASM 100	Roberts (2006) Results (Table 5, p. 71)	USPS-T-12 FY 2005 Model (USPS-T-12, Table E-2, p. 128)	OCA-T-1 results (Base Model; Table 6, Table 7)
Total of FHP elasticities	1.009	1.00	0.844
S.E. of Total	Not reported	.09	.047
R ²	.884	.88	.856

- a. Please confirm that the above table correctly reports the results from the specified sources. If you do not confirm, please provide a corrected table.
- b. Please provide the standard error of the total of the incoming and outgoing FHP elasticities from your March 2006 AFSM 100 model, as presented in Table 5 of your March 2006 paper.
- c. Please calculate and provide the 95 percent and 99 percent confidence intervals for the total of the incoming and outgoing FHP elasticities from your March 2006 paper, using the standard error you calculated for the response to part b.

OCA/USPS-T1-18.

Please refer to your testimony, OCA-T-1, at page 52, lines 18-19.

- a. Please confirm that your measure of “output” for cancellation operations is “FHP_{OUT} for letters and flats.” If you do not confirm, please explain.
- b. Please confirm that outgoing FHP includes volumes of mail that do not require cancellation—e.g., mixed ADC/AADC presort volumes. If you do not confirm, please explain.
- c. Please explain why you chose FHP measures that include volumes that do not require cancellation, rather than a count (or counts) of cancelled pieces, for your measure of cancellation output.

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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