

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-T1-27 THROUGH 34
October 2, 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-T1-27 through 34.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 2, 2006

USPS/OCA-T1-27.

Please refer to your response to USPS/OCA-T1-8(b) and USPS/OCA-T1-10.

- a. Do your calculations in your response to USPS/OCA-T1-10 reflect your preferred results as stated in response to USPS/OCA-T1-8(b)?
- b. If not, please provide the marginal costs per FHP, requested in USPS/OCA-T1-10, that reflect your preferred results.
- c. Please provide the marginal costs per FHP requested in USPS/OCA-T1-10, reflecting your preferred results for letter operations as needed, evaluating your formulas using FY 2005 observations.

USPS/OCA-T1-28.

Please refer to your response to USPS/OCA-T1-11(a), specifically your discussion of the sample period change between the model presented in your March 2006 paper and the update in USPS-T-12. You note that the results from adding four additional quarters' data from FY 2005 led to results "very similar" to those you previously reported. In your view, is it typical to consider the stability of an econometric model's results with respect to a "fairly small change" in sample size to be a problem as opposed to favorable evidence of the model's robustness? Please explain.

USPS/OCA-T1-29.

Please refer to your response to USPS/OCA-T1-11(a), specifically your discussion of the "alternative" capital data.

- a. Does your response indicate that capital series that eliminate in part the capital timing issue you raised in your March 2006 paper are not preferred to series that exhibit the full anomaly? Please explain.
- b. Please explain which capital equipment data you used in constructing your capital measures for use in your recommended models. Specifically, did you employ the higher-frequency equipment data developed for the Postal Service's "alternative" series, or the lower-frequency data used before your March 2006 paper identified the issue?
- c. If you indicate that you used the lower-frequency data in response to part (a), please explain your choice in view of your claim that proper matching of the capital and labor input data is important.

USPS/OCA-T1-30.

Please refer to your response to USPS/OCA-T1-11(a), specifically your discussion of the choice of weights in combining results from cost pools to the shape level. Please also refer to your response to USPS/OCA-T1-13a, where you note that you used FY 2005 weights to aggregate sorting operations to the shape level in OCA-T-1.

- a. Is modifying the sample period for the weights a technically challenging modification to your Stata code?

- b. Confirm that FY 2005 observations are within both the samples you employed and those in the longer sample used in the update presented by Dr. Bozzo. If you do not confirm, please explain.
- c. Is it your testimony that FSM 881 was not an important flat sorting technology as of FY 2002, while AFSM 100 deployment was in progress? Please explain.
- d. Is your judgment that using FY 2005 weights is appropriate for your FY 2002-FY 2005 sample, but not a FY 1999-FY 2005 sample, based on any formal criteria? If so, please explain.
- e. Did you make any calculations to determine the effect of full-sample versus FY 2005 weights on results from the longer sample period? If so, please describe and provide all calculations you performed.

USPS/OCA-T1-31.

Please refer to your response to USPS/OCA-T1-11(a), specifically your discussion of the disaggregation of BCS operations into incoming and outgoing components.

- a. Are you claiming that the disaggregation is inappropriate (as opposed to “not... well justified”)? If so, on what basis do you support your claim?
- b. Is there any behavior that an aggregated version of your BCS model can exhibit that disaggregated versions of your BCS models cannot? If you believe so, please explain fully.
- c. Does your aggregated BCS model relax any restrictions that might be present in disaggregated models? If you believe so, please explain fully.

USPS/OCA-T1-32.

Please refer to your response to USPS/OCA-T1-11(a), specifically your discussion of Dr. Bozzo’s interpretation of your models. What does Dr. Bozzo’s interpretation of your results, which you are presumably free to reject as you see fit, have to do with your decision not to use his update?

USPS/OCA-T1-33.

Please refer to your response to USPS/OCA-T1-18.

- a. Do you agree that mail pieces requiring cancellation have distinct cost-causing characteristics for Postal Service cancellation operations from pieces that do not require cancellation? If you do not agree, please explain your position.
- b. Does your cancellation model distinguish pieces that require cancellation from pieces that do not require cancellation? If so, please explain in detail how your model purports to do so.
- c. Please refer to Witness McCrery’s testimony, USPS-T-42 at 4. Witness McCrery notes that a capability of AFCS equipment is separation of local from non-local mail. Were you familiar with this part of Witness McCrery’s testimony?
- d. Do you agree that local mail may be inducted directly into incoming sorting operations? If not, please explain the basis for your disagreement.

- e. Please explain how, if at all, your characterization of “output” captures cancelled pieces inducted directly into incoming operations.
- f. Do you agree that it is possible, in principle, to test whether pieces of mail requiring cancellation and pieces not requiring cancellation can be aggregated for the purposes of estimating a cancellation labor demand equation? If not, why not?
- g. In the course of developing your cancellation model, did you test whether it is appropriate to aggregate pieces of mail requiring cancellation and pieces not requiring cancellation? If so, please describe fully any test(s) you performed and provide all associated econometric code and output log(s). If not, why not?

USPS/OCA-T1-34

Please refer to Tables 5, Panels C and D, in your testimony, OCA-T-1.

- a. Please update the results you present for the more finely disaggregated FHP variables to reflect your recommended set of instruments as indicated in the response to USPS/OCA-T1-12, or explain why the concerns you raise about instrument selection in that response are inapplicable to the results you presented in Table 5, Panels C and D.
- b. Please provide the marginal time (workhours) per FHP implicit in each of the reported coefficients on FHP variables for the results you provide in response to part (a). If you do not provide updated results in response to part (a), please use the coefficients originally reported in OCA-T-1. Please show your calculations.

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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