

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-T1-35 THROUGH 44
October 4, 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-T1-35 through 44.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 4, 2006

USPS/OCA-T1-35.

Please refer to section II of your testimony, OCA-T-1, and your response to USPS/OCA-T1-3(b).

- a. Please describe the process by which you arrived at the theoretical model(s) underlying your work, and the empirical implementations of them in your 2002 paper, your March 2006 paper, and/or your current testimony. Please describe specifically how you view the roles of the various sorting technologies in the Postal Service's mailstreams and the intermediate output(s) of those technologies. Also, please describe how you weighed operational or engineering relationships between the MODS piece handling measures and workhours at various levels of aggregation with other considerations in empirically specifying the mail processing "output" variables corresponding to your theoretical model, and describe any alternative formulations of your models you considered but have not previously reported. If you estimated any such alternative models, please summarize the results and explain why you chose not to present the results.
- b. Please identify all other experts that you consulted in the process of developing your theoretical and empirical mail processing models, other than sources cited in your earlier papers or in OCA-T-1.

USPS/OCA-T1-36.

Please refer to your response to USPS/OCA-T1-3(c). Please explain to what extent the test results you report in your response address the subjects of the separability of capital input, the appropriate level of aggregation of your FHP output measures, and/or your choice of MODS piece handling measure as "output."

USPS/OCA-T1-37.

Please refer to your response to USPS/OCA-T1-4. Please also refer to USPS-T-12, Appendix A, especially page 107, lines 11-18, and equation (A5').

- a. Please describe what you believe to be the final output(s) of the Postal Service.
- b. Please explain your understanding of how the Postal Service's final output(s) are measured by the Postal Service's data systems. In particular, please state whether, in your view, MODS FHP handlings represent the final output(s) of the Postal Service (and, moreover, not of its sorting operations).
- c. Please confirm that the elasticity of TPF (or TPH) with respect to ODIS-RPW system volume for a given class, subclass, or rate category (i.e., the number of unique pieces entered by mailers into the postal system) may be decomposed into the product elasticity of TPF (or TPH) with respect to FHP (i.e., "plant's volume"), and the elasticity of FHP with respect to ODIS-RPW system volume. If you do not confirm, please explain fully.
- d. Please confirm that it is not possible to determine the proportionality of TPF (or TPH) and ODIS-RPW system volume solely from elasticities of TPF with respect to FHP. If you do not confirm, please show (in a manner similar to USPS-T-12, Appendix A) how it is possible.

- e. Please confirm that you have not estimated elasticities of FHP with respect to RPW volumes. If you do not confirm, please explain fully, describe in detail your methodology, and provide all results, including econometric estimation code and output logs.

USPS/OCA-T1-38.

Please refer to your testimony, OCA-T-1, at page 18, lines 1-5.

- a. Please describe in full the criteria you employed to identify the “64 plants [that] do not report FHP or capital stocks consistently over time.”
- b. Please describe in full the criteria you employed to identify “obvious errors” in FHP, “total labor hours,” and “the division of labor hours across sorting categories.”
- c. With respect to your responses to parts (a) and (b) of this interrogatory, please specify to what extent the level(s) of aggregation at which you screen the Postal Service’s data differ from the level(s) at which you analyze the data in your econometric models.
- d. To the extent that your response to part (c) indicates that you screened the data at different level(s) of aggregation from that used in your econometric models, please explain:
 - (i) why the different level of screening was necessary (e.g., why aggregation neither corrected nor attenuated the errors with which you were concerned), and
 - (ii) why you consider, given your use of estimation methods that are presumably intended to be robust to measurement error and which therefore do not require data which are error-free in all respect, the different level of screening to be necessary.

USPS/OCA-T1-39.

Please refer to your testimony, OCA-T-1, at page 18, lines 20-21. Please explain what you mean by “...different data collection system for part of the time period.”

USPS/OCA-T1-40.

Please refer to your testimony, OCA-T-1, at page 20, lines 17-22, where you discuss criticism of your model concerning “its ability to account for differences in the depth of sorting undertaken in the plant.” You note that “[t]here is not a conceptual problem with the definition of output.” Do you agree that the practical problem is what data best correspond to the conceptual definition of output? If not, please explain.

USPS/OCA-T1-41.

Please refer to your testimony, OCA-T-1, at page 27, lines 14-23. Please also refer to Prof. William Greene’s testimony from Docket No. R2000-1, USPS-RT-7, at page 5 (line 27) to page 6 (line 9). Prof Greene stated:

The intervenors in [Docket No. R2000-1] have thrown up an array of criticisms of the data set that raise a standard that could never be met. Apparently, the MODS data were not created for the purpose for which they were used in this proceeding. But that is usually the case with large micro level data sets. Nonetheless, it does seem reasonable to assert that there is useful information in the MODS data for the determination of volume variability. I would suggest that the Commission take the view that researchers should extract from these data what useful information they contain, not go to great lengths to discredit the data, and then discard them and the analysis based on them.

Do you agree with Prof. Greene? If not, please explain in detail why not.

USPS/OCA-T1-42.

Please refer to your testimony at age 27, lines 19-23, where you mention your use of plant fixed effects in your recommended models. Please also refer to Prof. William Greene's testimony from Docket No. R2000-1, USPS-RT-7, at page 5 (lines 1-4). Prof. Greene stated:

The Commission should have taken a much more favorable view [of the fixed effects model] in 1997, and should at this time consider the panel data, fixed effects form of econometric analysis an appropriate platform for continuing work on developing a model for mail processing costs.

- a. Do you agree with Prof. Greene? If not, please explain in detail why not.
- b. Please see also Dr. Bozzo's response in this proceeding to POIR No. 10, question 6. (Tr. 10/2487-88). Is it your opinion that the "time-series variation within each plant" is the variation of greatest interest for mail processing labor demand analysis? If not, please explain fully why your opinion has changed.
- c. Please confirm that if "plant fixed effects" are present, but an otherwise appropriate econometric model fails to control for them, the results of that model generally will be biased. If you do not confirm, please explain.

USPS/OCA-T1-43.

Please refer to item (c) in your response to USPS/OCA-T1-9. You note that your tests "rejected the exogeneity condition in 9 of 13 sorting operations."

- a. Table 1 reports elasticities for eleven sorting operations. Please identify the other two operations and provide all available Table 1 elasticities for those operations.
- b. For each of the thirteen sorting operations you tested using your variations on the Postal Service models, please provide:
 - (i) The output elasticities from the non-instrumental variables models against which you tested.
 - (ii) The values of the test statistics, the corresponding p-values, and the critical p-value on which your statement is based.
- c. Please provide all econometric code and output log(s) for the material you provide in response to parts (a) and (b), or please indicate where the material is provided in OCA-LR-2.

USPS/OCA-T1-44.

Please refer to item (d) in your response to USPS/OCA-T1-9. You note that you omitted quarterly dummy variables from your versions of the Postal Service models because "There is no evidence in the operational testimony that the methods used to sort the mail in an operation vary by quarter of the year."

- a. Notwithstanding the absence of mention in the operational testimony, did you consider the possibility, or probability, of seasonal variations in staffing patterns and/or mail mix, before eliminating the quarterly dummy variables? If not, why not?
- b. Did you test the significance of the coefficients on the quarterly dummy variables before eliminating them from the models you estimated? If so, please provide all results of the tests, the econometric code, and related output log(s). If not, why not?

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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