Postal Rate Commission
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UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes Docket No. R2006-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 25

(Issued November 17, 2006)

The Office of the Consumer Advocate is requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for a recommended decision on proposed rates, fees and classifications. To facilitate inclusion of the required material in the evidentiary record, the Consumer Advocate is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers. The answers are to be provided by November 27, 2006.

1. In "Response of Postal Service Witness Bradley to POIR No. 9, Question 9," witness Bradley concluded that dropping all interaction terms from his full quadratic street time variability model would introduce bias if the omitted variables were correlated with the regressors remaining in the restricted model. He observed that the benefit of dropping all interaction terms was a reduction in multicollinearity.
    a. Please determine whether the regressors dropped from the full quadratic models in CC2A and CC3A which yielded models CC2B and CC3B (in Table 1 of OCA-T-3) are correlated with the regressors remaining in CC2B, and CC3B, respectively. For these tests, please provide the SAS logs and output, or other appropriate outputs.

b. Please provide your opinion of the relative merits of omitting or retaining the interaction terms referenced above, in terms of their effects on multicollinearity and bias.

2. In “Response of Postal Service Witness Bradley to POIR No. 9, Question 11,” witness Bradley reported the results of selectively removing the terms that interacted with the small parcels variable.

a. Please run the full quadratic models reported in CC2A and CC3A (in Table 1 of OCA-T-3), but drop those interaction terms that interact with the small parcels variable.

b. Please report the t-values and standard deviations of the marginal time estimates obtained using the specification requested in 2a.

c. Please provide your opinion of the relative merits of these models, your proposed CC6B model (in Table 1 of OCA-T-3), and the model proposed by the Postal Service and employed by the Commission in R2005-1.

d. For these procedures, please provide the SAS log and output, or other appropriate outputs.

George Omas
Presiding Officer