

DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE AND FEE CHANGES
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Docket No. R97-4

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE DIRECT MARKETING ASSOCIATION, INC. WITNESS BUC
(USPS/DMA-T1-6-14)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Direct Marketing Association, Inc. witness Buc: USPS/DMA-T1-6-14.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:


Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Eric P. Koetting

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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January 14, 1998


Eric P. Koetting

INTERROGATORIES OF THE POSTAL SERVICE TO DMA WITNESS BUC

USPS/DMA-T1-6.

- (a) Please confirm that the IOCS tally cost weight (field F9250) is the ratio of the cost associated with a craft/IOCS CAG stratum combination to the number of tallies in the craft/IOCS CAG stratum combination. If you do not confirm, please explain.
- (b) Please confirm that the IOCS tally cost weight (field F9250) assumes that each unit of time (tally) in a craft/IOCS CAG stratum combination has the same associated cost. If you do not confirm, please explain.
- (c) If there is wage dispersion within a craft/IOCS CAG stratum combination, will the IOCS tally cost weight (field F9250) overstate the cost associated with observations of lower-wage employees and understate the cost associated with higher-wage employees? Please explain your response fully.
- (d) If lower-wage employees are more likely to be found in a specific operation, will the total IOCS tally cost weight (field F9250) for tallies associated with that operation tend to overstate the true cost of the operation? Please explain your response fully.
- (e) If higher-wage employees are more likely to be found in a specific operation, will the total IOCS tally cost weight (field F9250) for tallies associated with that operation tend to understate the true cost of the operation? Please explain your response fully.
- (f) Would wage dispersion within craft/IOCS CAG stratum combinations be a reason to modify the IOCS tally cost weights? Please explain fully and reconcile your answer with your responses to parts c-e of this interrogatory.

USPS/DMA-T1-7. Please refer to DMA-T-1, page 17. Is the principle "that cost (within a CAG and craft) for an activity is directly proportional to the number of tallies for that activity" a "basic underpinning of the... IOCS sampling system" or an assumption of the tally cost weighting procedure? Please provide a detailed justification of your response.

USPS/DMA-T1-8.

Please refer to your testimony at page 27, line 25. You state that "in my system, a dollar of cost is always a dollar of cost."

- (a) Please confirm that by this, you mean that you propose not to reweight IOCS tally dollar values in response to any of the issues raised by witness Degen at Tr. 17/8134-8139, including the within-craft wage dispersion issue. If you not confirm, please explain what your statement means.

- (b) Please confirm that your "dollar of cost", like witness Degen's, is an allocation of cost to tallies which is based on assumptions not integral to the sampling system. If you do not confirm, please explain fully your understanding of the IOCS tally cost weights.

USPS/DMA-T1-9. Please refer to DMA-T-1, page 12, in which you describe the process whereby "volume-variable MODS pool cost" is computed. --

- (a) For MODS 1&2 cost pools, is the tally reweighting step necessary to produce "volume-variable MODS pool cost"? Please explain fully.
- (b) In witness Degen's proposed methodology, can the "volume-variable MODS pool cost" be derived without the use of IOCS data from MODS 1&2 cost pools? Please explain fully.

USPS/DMA-T1-10. Please refer to DMA-T-1, page 17, especially footnote 24. Is a simple but false assumption to be preferred over a complex but correct assumption? Please explain.

USPS/DMA-T1-11. Please refer to programs DMA_mods.sas, DMA_bmcs.sas, and DMA_nmod.sas, DMA-LR-1.

- (a) Please confirm that the mixed-mail distribution method implemented by this program ignores all information on the characteristics of mixed-mail recorded in IOCS other than the office group. If you do not confirm, please describe what the programs do.
- (b) Is the mixed-mail distribution method you propose designed primarily to maximize the number of distributing tallies, and therefore minimize the variance of the distributed costs? Please explain.
- (c) In designing the mixed-mail distribution method you propose, did you consider the tradeoff between bias and variance? If so, please explain how your proposed distribution method addresses this issue. If not, why not?
- (d) If the mixed-mail characteristics recorded in IOCS (activity code, item type, etc.) contain information that the subclass distribution of certain types of mixed-mail differs from that of direct mail, under what conditions will your distribution method result in an unbiased distribution of mixed-mail cost? Please explain fully.

USPS/DMA-T1-12. Consider the ratio of two random numbers which are positively correlated. Can the variance of the ratio be lower than that of the numerator and/or denominator individually? Please explain.

USPS/DMA-T1-13.

- (a) Are the coefficients of variation discussed at pages 20-23 of your testimony derived from the data provided by witness Degen in USPS-LR-H-305? If not, please provide a detailed description of the methods and assumptions you used to produce the coefficients of variation.
- (b) If you confirm in part a, have you applied any mathematical

transformations to the data in USPS-LR-H-305? If so, please describe in detail any such transformations.

USPS/DMA-T1-14. Please refer to your testimony at pages 20-23.

- (a) When you state that “over three percent of the tally cost [for empty and uncounted items] is distributed on the basis of one tally” (page 20, lines 22-23), do you mean that between 96 and 97 percent of empty and uncounted item cost is distributed using more than one tally? What fraction of total mail processing costs does this represent? Please also provide your result and any intermediate calculations in electronic spreadsheet format.
- (b) When you state that “nine percent of the distributing sets for identified mixed containers contain only one tally” (page 22, lines 2-3), what fraction of identified mixed container cost does this represent? What fraction of total mail processing cost does this represent? Please also provide your result and any intermediate calculations in electronic spreadsheet format.
- (c) What fraction of unidentified/empty container cost is distributed using one tally? What fraction of total mail processing cost does this represent? Please also provide your result and any intermediate calculations in electronic spreadsheet format.