BEFORE THE
POSTAL RATE COMMISSION   RECEIVED
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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 1997   )   Docket No. R97-1

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE
WITNESS: J. EDWARD SMITH, JR. (USPS/OCA-T600-12-18)
(FEBRUARY 10, 1998)

The Office of the Consumer Advocate hereby submits the answers of J. Edward

Smith, Jr. to interrogatories USPS/OCA-T600-12-18 dated January 27, 1998. Each

interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

KENNETH E. RICHARDSON
Attorney
Office of the Consumer Advocate

USPS/OCA-T600-12. Please refer to your testimony at page 35, line 9 where you state:

> Given witness Moden's testimony, it is reasonable to question whether MODS facilities are in fact representative of non-MODS facilities.

Please confirm that it is your testimony that there is no reason to believe that the variabilities are the same at MODS offices and non-MODS offices. If you do not confirm, please explain how the variabilities could be the same despite the apparent differences that you discuss.

A. Confirmed.

USPS/OCA-T600-13. Are you familiar with the econometric term "observational equivalence." If so, please provide a precise definition of the term.

A. According to Dr. Greene on pages 720-21 of **Econometric Analysis**, Third Edition, Prentice-Hall, 1997,

> We have in hand a certain amount of information upon which to base any inference about its underlying structure. If more than one theory is consistent with the same "data," the y are said to be **observationally equivalent,** and there is no way of distinguishing them. The structure is said to be *unidentified*.

USPS/OCA-T600-14. Please refer to page 3 of 8 in OCA 602.

a. Please confirm that you could not visually inspect the pattern of 18,818 data points because they are hidden and do not appear on the plot. If you do not confirm, please explain what the term "NOTE: 18818 obs hidden." means.

b. Please confirm that the letter "Z" appears in the plot about 100 times. If you do not confirm, please provide the number of times the letter "Z": appears in the plots.

c. Please explain the significance of the letter "Z" in the plot.

A. a. I confirm that I inspected the pattern for the points plotted. Some of the "Z" data plot a large number of data points located at the same point, and, accordingly, data points which are plotted on a combined basis do not plot individually.

b. Confirmed.

c. The letter "Z" indicates that 26 or more points are present in the vicinity of the letter.

USPS/OCA-T600-15 . Please refer to page 2 of 19 in OCA 603.

a. Please confirm that you produced hundreds of plots for each of the mail processing activities you reviewed. If you do not confirm, please provide the number of plots you produced for each of the activities that you reviewed.
b. Did you review all of the plots that you produced? If you did not review all of the plots, please explain why.
c. What was the average amount of time it took you to review a plot? Please explain fully.

A. a. Confirmed.

b. I reviewed all of the plots.

c. I did not keep a record of the time spent reviewing specific data. My best estimate is in the neighborhood of two minutes per plot.

USPS/OCA-T-16. Please refer to page 1 of 19 of OCA 603 where you state:

> A plotting of data points which ultimately has a positive interc3pt on the
> dependent variable, the hours-axis, is consistent with witness Bradley's fixed
> effects conclusions.

Please confirm that it is your testimony that data consistent with the fixed effects model
should generate a data plot for each site that has a positive intercept on the hours-axis.
If you do not confirm, please explain the above quote.

A. The above quote would not exclude a zero intercept on the hours-axis. One could
hypothesize a line in Figure 1.1 on page 6 to intercept the origin in Dr. Cheng
Hsiao's book, **Analysis of Panel Data**, Cambridge University Press, 1986.

USPS/OCA-T600-17. Please refer to page 1 of 19 of OCA 603 where you state:

> Finally, a plotting of data points essentially through the origin is consistent with the pooled case.

Please confirm that it is your testimony that data consistent with the pooled model should generate a data plot for each site that essentially goes through the origin. If you do not confirm, please explain the above quote.

A. Not confirmed. A pooled model could have a positive intercept. However, a line through the origin would give 100% variability.

ANSWERS OF OCA WITNESS J. EDWARD SMITH, JR.
TO INTERROGATORIES USPS/OCA-T600-12-18

USPS/OCA-T600-18. Please refer to the graphs in OCA 603. The titles of those graphs state: "Data Are In Logs." The scales of the axes of the graphs, however, appear to be in levels. Please clarify.

A. The data are not in logarithmic form. Since I was using witness Bradley's program and was also using it for a variety of other runs I inadvertently produced incorrectly labeled graphs. The incorrect labels, however, do not change or modify my conclusions.
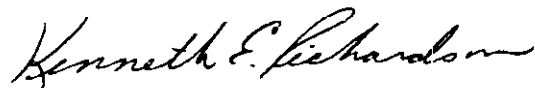
DECLARATION

I, J. Edward Smith, Jr., declare under penalty of perjury that the answers to interrogatories USPS/OCA-T600-12-18 of the United States Postal Service are true and correct, to the best of my knowledge, information and belief.

Executed *February 10, 1998*

J. Edward Smith Jr.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

Kenneth E. Richardson

KENNETH E. RICHARDSON
Attorney

Washington, D.C. 20268-0001
February 10, 1998