DOCKET SECTION

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997	Docket No. R97–1

UNITED STATES POSTAL SERVICE FOLLOW-UP
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
UNITED PARCEL SERVICE WITNESS NEELS
(USPS/UPS–T1—46–48)

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 United Parcel Service witness Neels: USPS/UPS–T1—46–48.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking

Eric P. Koetting

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February 17, 1998

USPS/UPS-T1-47. Please refer to your response to USPS/UPS-T1-43 in which you state that "Random factors not explicitly accounted for by the model could cause workhours at facility X to be higher or lower than those at facility Y."

(a) Please confirm that the first two words of your answer are "not confirmed."

(b) Please confirm that USPS/UPS-T1-43 asks "If you do not confirm, please explain the increase in hours predicted by your Table 1 results." (Emphasis added).

(c) Please provide the increase in hours predicted by your Table 1 results and explain that prediction.

(d) Please confirm that the question asked if "workhours in the manual labor sorting operations in facility X would be expected to exceed those initially seen in facility Y." (Emphasis added).

(e) Please confirm that when using an econometric equation to make predictions, the expected values of "random factors not explicitly accounted for by the model" are typically set to zero. If you do not confirm, please explain how those expected values could be calculated in this case.

(f) Using the standard econometric assumption that the expected values of the "random factors not explicitly accounted for by the model" are zero when using an econometric equation, please answer the question.

USPS/UPS-T1-48. Please refer to USPS/UPS-T1-44. It appears that you did not provide an answer to part b of the question. Please provide that answer.

Postal Service Follow-up Interrogatories to UPS Witness Neels

USPS/UPS-T1-46. Please refer to your response to USPS/UPS-T1-40 in which you state that the question "cannot be answered." Your answer states:

> The question assumes a cross-sectional dataset. Therefore, the question assumes T=1. As a result, this model cannot be estimated as specified because the number of parameters exceeds the sample size.

(a) Please confirm that you estimated a cross-sectional version of witness Bradley's model in which T=1. If you do not confirm, please provide the value for T in your cross-sectional version of witness Bradley's model.

(b) Please confirm that you estimated a cross-sectional version of witness Bradley's model by dropping the site specific effects and then estimating the model with one observation for each site. If you do not confirm, please provide the estimated values for the site-specific effects from your cross-sectional model.

(c) Please confirm that it is possible to estimate the model (and in particular the β coefficients) presented in USPS/UPS-T1-40 by dropping the facility-specific variables and estimating the model by Ordinary Least Squares with one observation for each site. If you do not confirm, please demonstrate mathematically why this estimation procedure cannot be performed.

(d) Please answer USPS/UPS-T-1-40 assuming the usual procedure of dropping the facility specific effects in estimating the cross-sectional version of the model presented therein.

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.

Eric P. Koetting

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