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UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Periodic Reporting
(Proposals Three Through Eight)

Docket No. RM2014-6

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued July 14, 2014)

To clarify the Postal Service's petition to consider changes to analytical principles, filed June 20, 2014, the Postal Service is requested to provide a written response to the following questions. The answers should be provided by July 21, 2014.

Proposal Three

1. In the original workpapers for Parcel Return Service Contract 4, the contract's costs were compared to the Return Network Distribution Center price category. *See* Docket Nos. MC2013-46/CP2013-60, Excel file "PRS4_Analysis_public.xlsx," tab 'Analysis,' column B. However, under Proposal 3, the workpapers compare the contract's costs with the Parcel Select Nonpresort price category. Please explain this discrepancy.

Proposal Six

For questions 2 through 4, please refer to the Library Reference USPS-RM2014-6/1.

2. Page 6 of the Report states: "the dataset for econometric analysis was drawn in the fourth quarter of FY2013."
   a. Please explain the reason for using the data particular for the fourth quarter of FY 2013.

b. Would the results be different if the Postal Service developed the dataset for an econometric analysis using data from any other quarter of the same year?

c. Has the Postal Service made any comparative econometric analyses using data from multiple quarters? If so, please provide such results. If the Postal Service has not performed any analysis of this kind, please explain why.

3. Table 1 on page 9 of the Report provides a comparison between the number of box contracts and transportation contracts from the FY 2013 dataset and Docket No. R2000-1.

a. Please provide the exact source and methodology for the FY 2013 calculations of the number of box contracts and transportation contracts.

b. In the SAS dataset tcss_fy13.sas there are five different route type codes and corresponding five different route type descriptions: (1) “box route”, (2) “transportation”, (3) “combination (transportation/box delivery)”, (4) “combination (box delivery/transportation)”, and (5) “trailer lease”. (*See also* Technical Appendix, p. 68). Based on this information, the number of contract cost segments by each route type code/description is as shown in the following table:

Route Type Code	Route Type Description	# Contract Cost Segments
1	Box Route	6,393
2	Transportation	8,007
3	Combination (transportation/box delivery)	774
4	Combination (box delivery/transportation)	560
5	Trailer Lease	135
All	Total	15,869

4. Please explain the connection, if any, between the number of contract cost segments shown in the above table and the number of box/transportation contracts presented in Table 1 on page 9 of the Report.

5. Pages 17, 25, and 26 of the Report provide the number of observations in the original/initial estimation (right column of Table 3 on page 17 and second column from the right of Table 4 on page 25), and remove the number of observations after unusual observations (right column of Table 5 on page 26).
   a. For some account sub-categories, the number of initial observations provided in Table 3 and Table 4 do not match. Thus, for Intra P&DC account category, type "VAN", the number of initial observations presented in Table 3 is 4,103, while the corresponding number presented in Table 4 is 4,098. Please explain the reason for the discrepancy and provide corrected tables, if applicable.
   b. For some account sub-categories, the number of observations left after unusual observations were removed (right column of Table 5) are not equal to the number of initial observations (either from Table 3 or Table 4) minus the number of unusual observations (right column of Table 4). Thus, for Intra P&DC account category, type "TT", the number of final observations shown in Table 5, is 767. The number of observations that were removed is 6 (*see* right column of Table 4). The number of initial observations should have been 773 (767+6). However, the number of the initial observations for Intra P&DC, type "VAN" shown in Table 3 is 774, and the corresponding number shown in Table 4 is 778. Please confirm which numbers are correct, explain the reason for the discrepancy, and provide corrected tables, if applicable.

6. Please refer to the file entitled "Tech.Append.Hwy.Variab.Updat." This file shows that many of the regressions produce significant, negative coefficients for the route length variables—lnRL, $LnRL^2$, or lnCFMlnRL.

7. Please explain why route length variables are negatively related to highway transportation cost. If the negative coefficients reflect line-haul taper, what types of costs, *e.g.,* load/unload or billing, are being spread over more and more miles?

8. Please explain why the coefficients for route length are sometimes negative and sometimes positive, depending on the regression.

9. Please explain whether the inconsistency of coefficient signs for route length variables across regressions suggests that a production function other than the translog might yield more consistent results across regressions.
   a. If so, please explain whether other production functions were tested, provide the SAS programs for them, and explain why they were rejected.
   b. If other production functions were not tested, please explain why not.

Proposal Seven

10. Please refer to Excel file "PROP.7.USPS-FY13-13.xlsx," tab 'CR Dist Key.' The Petition, Proposal 7 at 3 states that the Postal Service proposes to correct the Basic Carrier Route volume and weight data that were used in Docket No. ACR2013, Library Reference USPS-FY13-13.
    a. Please confirm that the data provided in tab 'CR Dist Key' are the same as the original data reported in Library Reference USPS-FY13-13.
    b. If confirmed, please provide a revised Excel file PROP.7.USPS-FY13-13 that incorporates the proposed corrections to the Basic Carrier Route volume and weight data. If not confirmed, please explain.

c. Please refer to Excel file “PROP.7.USPS-FY13-13.xlsx,” tabs ‘Sack Inputs P,’ ‘Pallet Inputs P,’ and ‘Entry Profile P.’ Please explain why the distribution of total Standard Mail pounds displayed in ‘Entry Profile P’ is used as the input percentages for both ‘Sack Inputs P’ and ‘Pallet Inputs P.’

Proposal Eight

11. Regarding Proposal 8, the Postal Service proposes to convert from IOCS tallies to POS volume data for the distribution of tracking costs.
    a. Please provide the FY 2013 IOCS tallies for tracking by class/product, and the total tallies.
    b. Please provide the FY 2013 POS volumes with tracking by class/product, and the total volume.

12. The following questions refer to the non-public USPS library reference titled: USPS-RM2014-6/NP4, file name - “NP4.Prop.8.Nonpublic.Materials.xls”.
    a. Please provide electronic workpapers that provide the derivation of the figures contained in worksheet “IOCS Changes”: column “B” rows 5 through 13, column “E” rows 5 through 13, and column “B” rows 20 through 29. Include in your response any underlying distribution keys relied upon and specific cites to the data sources.
    b. Please provide electronic workpapers that provide the derivation of the figures contained in the worksheet “CS 7 & 10 Changes”: column “D” rows 9 through 58, and columns “G and H”, rows 9 through 58. Include in your response any underlying distribution keys relied upon and specific cites to the data sources.
    c. Please provide the FY 2013 tallies for tracking by class/product, and the total tallies used to distribute costs in the current procedure

d. Please explain how the shift in distribution from using IOCS tallies to POS data leads to an increase in the cost of the tracking special service.

By the Chairman.

Ruth Y. Goldway