

BEFORE THE  
POSTAL REGULATORY COMMISSION

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Periodic Reporting  
(Proposal Thirteen)

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Docket No. RM2015-7

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UNITED PARCEL SERVICE'S SUPPLEMENTAL  
INFORMATION IN RESPONSE TO ORDER NO. 2433

(April 14, 2015)

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United Parcel Service, Inc. ("UPS") respectfully submits this supplemental information in response to Order No. 2433 (Apr. 9, 2015), which directs UPS to "file supplemental information estimating the date by which it anticipates it could complete its review of the requested file and prepare the results of that review if the UPS Motion for Information Request were to be granted." *Id.* at 2.

UPS estimates that it would take approximately 45 days from the receipt of the requested file (the "Crosswalk File") for UPS's outside consultants at The Brattle Group, led by Dr. Kevin Neels, to analyze the file, incorporate the data from the file into the model developed by Dr. Neels, run tests on the model, and prepare the results of that work for the Commission.

This timeframe reflects the size and complexity of the Postal Service data and the corresponding amount of time it takes to clean, process, and analyze the data.<sup>1</sup>

During this period, Brattle would use the Crosswalk File to do the following analyses:

- **Calculation of Route Density Metric.** As explained in Dr. Neels' report, Brattle will use the Crosswalk File to map the Form 3999 data to actual zip codes, which will then allow Brattle to calculate the "number of miles of neighborhood streets per delivery point" for every ZIP code in the country. See Neels Report at 18. As Dr. Neels explained in his expert report, this alternative measure of route density is superior to the land-area variable used by the Postal Service, because it vastly diminishes the possibility of bias introduced by large swaths of unpopulated land. See *id.* Computing this variable for every ZIP code is a time-intensive task because it involves analyses of a massive dataset.
- **Imputation Models for Collection and Accountable Volumes.** As discussed in UPS's filings, Form 3999 data does not have information on collection and accountable volumes. Dr. Neels has a reliable method by which to impute collection and accountable volumes from the 300 ZIP Codes used in Proposal Thirteen, for which collection and accountable volume data is available. But this method cannot be fully tested and implemented without the Crosswalk File, which is necessary to inspect the imputed values and verify their reasonableness.
- **"Stress Tests" of Proposed Alternate Model.** Once Brattle has performed the above steps, it can use the Form 3999 data, combined with the route density and collection and accountable volumes, to "stress test" the proposed alternate model. Dr. Neels and his team will also need to test assumptions and make sure the model works as intended. Preliminary analysis may suggest refinements to the model, which must then be tested.

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<sup>1</sup> Reflecting the size and complexity of the data involved in this docket, it appears that the Postal Service spent over eight months preparing Proposal Thirteen after the data was collected. The latest data in the CCST Study was collected on April 7, 2014, CCST Study at 93, and Proposal Thirteen was submitted to the Commission on December 11, 2014.

- **Evaluate the Costing Implications of the Model.** As discussed in Dr. Neels' expert report, the alternate model provides a clear pathway to using statistics to evaluate the relative "cost intensity" of multiple Postal products. This cost intensity measurement can, in turn, provide a better way to distribute costs to individual products. See UPS Motion at 3.

Following this work, Brattle will prepare a supplemental report summarizing its analyses and results for the Commission, along with library references detailing the calculations underlying the report. UPS thus believes that 45 days is necessary to complete the work required and is, if anything, aggressive. In addition, UPS notes that Dr. Neels will be out of the country on a long-planned vacation from early May until May 20, 2015. Accordingly, to the extent the Commission grants UPS's motion, UPS respectfully requests that the Commission set the deadline for UPS to submit the results of its review no earlier than June 5, 2015.

Respectfully submitted,

UNITED PARCEL SERVICE, INC.,

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