

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

Periodic Reporting
(Proposal Four)

Docket No. RM2016-12

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued September 23, 2016)

To clarify the Postal Service's petition to consider a change in analytical principles, filed August 22, 2016, the Postal Service is requested to provide written responses to the following questions.¹ Answers to each question should be provided as soon as they are developed, but no later than September 30, 2016.

1. Please refer to Library Reference USPS-RM2016-12/1, folder "Input.Data.Sets."
 - a. Please confirm that all of the input files (fy10weight, fy11weight, etc.) were created using data from the Transportation Cost System (TRACS) presented in library references 36 from Docket Nos. ACR2010 through ACR2015.
 - b. If confirmed, please:
 - i. Identify the TRACS files/worksheets that were used as data sources for the referenced input files; and

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), August 22, 2016 (Petition). The following were filed on August 22, 2016, in support of the Petition: USPS-RM2016-12/1, Public Material Relating to Proposal Four; USPS-RM2016-12/NP1, Nonpublic Material Relating to Proposal Four; and "Research on Estimating the Variability of Purchased Highway Transportation Capacity with Respect to Volume," by Michael D. Bradley, Department of Economics George Washington University (Bradley Report).

- ii. Provide the SAS (or applicable other) programs that were used to create these files.
2. The Bradley Report at 21 provides the variability equation for capacity with respect to volume. The Bradley Report states: “[t]he dependent variable in that equation could be ‘moving capacity’ which is the cubic capacity multiplied by trips.”
 - a. Please confirm that moving capacity is calculated as the cubic capacity of the vehicle (Cube) multiplied by the frequency at which the vehicle runs (Trips).
 - b. If confirmed please describe why Trips were used instead of the route miles that the vehicle traverses (Miles).
 - c. If not confirmed, please explain how moving capacity was calculated.
3. The Petition at 3 states: “[the dependent variable in [econometric] equations was a measure of transportation capacity.” Please confirm that moving capacity discussed in question 2, is applied as a “measure of transportation capacity” in the econometric equations used to estimate capacity-to-volume variabilities. If not confirmed, please explain how a measure of transportation capacity was calculated.
4. Please confirm that in the econometric equation used to estimate capacity-to-volume variabilities in the current docket, capacity is defined differently (and/or calculated with a different formula) than it was defined and calculated in the econometric equation used to estimate cost-to-capacity variabilities in Proposal Six, Docket No. RM2014-6.
 - a. If confirmed, please explain why the variability of cost as the product of two elasticities (cost-to-capacity and capacity-to-volume) will have a

reasonable economic meaning (considering that capacity in cost-to-capacity and capacity-to-volume elasticities is defined and/or calculated differently).

- b. If not confirmed, please provide additional information (including the formula) showing that capacity in both dockets was calculated using the same formula.
5. The Petition at 3 states that in the econometric equations “the primary independent variable was transported volume.” Please clarify how transported volume was defined, and provide the formula used to estimate volume included in econometric equations as the primary independent variable. Please also indicate what data variables included in Library Reference USPS-RM2016-12/1, “Input.Data.Sets,” were used to calculate the transported volume.
6. The following questions concern the explanatory variables in the econometric equation used to estimate capacity-to-volume variabilities.
 - a. Please confirm that the econometric equation used to estimate capacity-to-volume variabilities does not include the number of sampled mailpieces (recorded in TRACS) as an explanatory variable.
 - b. If confirmed, please explain why the model specification does not include the number of mailpieces, and whether or not the number of mailpieces could be used to estimate the capacity-to-volume variabilities.
 - c. If not confirmed, please explain how the econometric model used to calculate capacity-to-volume variabilities accounts for the number of mail pieces.
7. The response to Chairman’s Information Request No. 1 (CHIRNo. 1), question 1c, states: “[d]ata cleaning involved removing observations that had defects that

disqualified them from use.” See Responses of the United States Postal Service to Questions 1-9 of Chairman’s Information Request No. 1, September 13, 2016 (Response to CHIR No. 1). By each transportation type (*i.e.*, Intra-SCF, Inter-SCF, etc.), please indicate the percentage of disqualified/excluded observations.

8. The Response to CHIR No. 1, question 5b, states: “[t]here is not a single Postal Service data set that includes data on cost, capacity, and volume....” Please specify what data needed to produce the cost-to-capacity variabilities are not available in TRACS.
9. The Response to CHIR No. 1, question 6b, states: “[t]he translog specification has also been successfully used in previous transportation analyses.” Please identify the Commission dockets where the translog specification of the econometric model was used for transportation analysis.
10. The Response to CHIR No. 1, question 9, describes the MAIL_VOLUME_CUBE variable as “[a]nnual mail volume space found as mail volume cube times the number of trips per year.” Please indicate how “mail volume” referred to in the above statement is calculated. Please include the applicable formula and provide reference to the TRACS worksheets.

By the Acting Chairman.

Robert G. Taub