

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes, 2006)

Docket No. R2006-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS MICHAEL D. BRADLEY (OCA/USPS-T17-3-11)
(June 20, 2006)

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-T32-1-7, dated June 2, 2006, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T17-3. The purpose of this interrogatory is to ascertain your choice of estimating equation, given that you have used flexible functional forms in other testimony but are now relying on the linear form. You state in your testimony at 19, lines 11-14, that the established econometric model is linear in form. You appear to have continued to use the linear form in your analysis. In other testimony which you have filed before this commission in presenting estimating equations, you have presented flexible functional forms including the Quadratic form, the Restricted Quadratic form, and Translog form.

- (a) Did you consider the use of these or other forms? If you performed any studies using any of these or other forms, please provide the results of such studies or estimates of window service transactions.
- (b) Please explain your decision not to use equation forms which you have previously used, with references to the econometric and/or theoretical literature as appropriate.

OCA/USPS-T17-4. The purpose of this interrogatory is to compare the linear form with other flexible functional forms previously used by you in terms of underlying assumptions, recognizing that the assumptions about the choice of estimating equation will impact the conclusions. It is our understanding that flexible functional forms do not impose underlying assumptions on the equation being estimated. This question seeks to ascertain whether such is the case for the linear form.

- (a) Does the linear form involve the imposition of assumptions in terms of the signs of first or second derivatives and/or other assumptions?
- (b) If your answer is affirmative, please explain with references to the econometric and/or theoretical microeconomic literature, as appropriate.

OCA/USPS-T17-5. Please refer to Table 1, page 22 in your testimony. It is clear that for each type of transaction in the table you have taken the total for the column and divided by 7,915. What is the purpose of this table and the use for these results?

OCA/USPS-T17-6. The purpose of this interrogatory is to clarify for the record the naming of a key variable. Turning to table "wscleanpos.11.3.05.xls" in your Library Reference USPS-LR-KI-80, please verify that the variable "length" measures time. If you do not verify, please explain fully.

OCA/USPS-T17-7. Table 2 at page 26 is one of a number of tables in your testimony presenting an estimate of transaction time as a function of variables. In some cases, the underlying equation would have a single intercept variable, and in other cases there would be a number of site-specific intercepts.

- (a) Is there an economic interpretation of the intercept variable for the case with one intercept variable? Please explain your answer.
- (b) Is there an economic interpretation of the intercept variable for the case with multiple intercept variables? Please explain your answer.

OCA/USPS-T17-8. The purpose of this interrogatory is to document some of the properties of your regression equations. The regressions underlying your study have R squared values in the neighborhood of 0.5.

- (a) Why are the R-squared values not higher?
- (b) What could have caused the R-squared values to be higher?
- (c) If the R-squared values had been higher, would the elasticities ultimately computed have been different?
- (d) Does the value of the Durbin-Watson statistic raise a question as to the accuracy, precision, or reliability of your conclusions?

OCA/USPS-T17-9. The purpose of this interrogatory is to confirm and highlight the linear nature of your estimating procedure. Please turn to page 13, lines 16 and 20, of your testimony. It appears that the equation on line 16 presents the amount of time for a single item transaction, consisting of a fixed amount of time plus a variable amount of time depending on quantity, which in this case is "one".

- (a) Please confirm that if 20 items are transacted, then the total amount of time will be the same fixed amount of time plus 20 times the amount of time for the single transaction. If you do not confirm, please explain.
- (b) Please confirm that β_0 could be different for each type of transaction. If you do not confirm, please explain.

OCA/USPS-T17-10. Please turn to page 41 of your testimony, where you provide an "addendum to USPS-T-17." You indicate that some calculated

variabilities in the associated spreadsheet were corrected for “minor cell errors.” Please provide the revised spreadsheet and the original spreadsheet.

OCA/USPS-T17-11. On page 3 of your Library Reference USPS-LR-L-81 you reference the worksheet “Average Product Times.R2006.xls.” A review of the Library Reference has not located the worksheet. Please indicate where the worksheet is located in the Postal Service filing or, alternatively, please provide the worksheet and appropriate documentation.