

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS PAFFORD
TO INTERROGATORIES OF THE NATIONAL NEWSPAPER ASSOCIATION
NNA/USPS-T3-1-10

The United States Postal Service hereby provides witness Pafford's responses to the following interrogatories of the National Newspaper Association, filed on June 27, 2006:
NNA/USPS-T3-1-10.

Each interrogatory is stated verbatim and followed by the response:

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-1. On page 1 of your testimony, (USPS-T-3) at lines 20-22, you state that, "A table is attached that provides the FY2005 estimates of revenue, pieces and weight and their associated 95% confidence limits." With respect to this statement, please explain fully why the USPS has chosen to provide these estimated 95% confidence limits to the Commission in this proceeding.

RESPONSE:

See Rule 31(k)(2)(ii).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-2. In Table 1 of USPS-T-3, you provide estimates of CVs by subclass for revenue, pieces and weight. With regard to these estimates, please confirm that, *all else equal*, estimates that are based on samples with higher CV values are less reliable than estimates that are based on samples with lower CV values. Explain fully any answer other than a confirmation.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-3. In Table 1 of USPS-T-3, you show a CV for Within County revenue of 1.93 and a CV for Outside County revenue of 0.10. Please explain fully why the Within County CV shown for revenue in Table 1 is so much higher than the Outside County CV for revenue reported in the same table.

RESPONSE:

The Outside County CV is lower than the Within County CV because the proportion of the estimated revenue coming from the PostalOne automated office component of BRPW is higher. The automated office component is census information with no sampling variation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-4. In Table 1 of USPS-T-3, you show a CV for Within County pieces of 2.29 and a CV for Outside County pieces of 0.07. Please explain fully why the Within County CV shown for pieces in Table 1 is so much higher than the Outside County CV for pieces reported in the same table.

RESPONSE:

See the response to NNA/USPS-T3-3.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-5. In Table 1 of USPS-T-3, you show a CV for Within County weight of 2.68 and a CV for Outside County weight of 0.15. Please explain fully why the Within County CV shown for weight in Table 1 is so much higher than the Outside County CV for revenue reported in the same table.

RESPONSE:

See the response to NNA/USPS-T3-3.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-6. Please confirm that the Postal Service maintains an AIC specifically for Within-County revenues and identify that account. If you confirm, please explain why sampling is necessary to estimate revenues associated with this subclass.

RESPONSE:

Confirmed. AIC224 is the account number for Within County. It was established in FY1999 with some interest in tying the BRPW Within County estimates to this AIC. The current approach controls each sub-category of Periodicals by the ratio of total Periodicals AIC revenue to BRPW estimated revenue (see formula (2), USPS-LR-L-17/R2006-1, page 4). These ratios have been consistently near 1.0. However, AIC224 revenue ratios have not been consistent. AIC224 revenue for FY2004 was \$66,241,000 while the estimated Within County revenue was \$72,127,000. In FY2005 AIC224 revenue was \$67,517,000 while the estimate was \$71,714,000. These differences could be related to the manual reporting of Within County revenue for smaller offices, the fact that Centralized Postage Payment postage statements (AIC136) may report some Within County revenue, or other reasons unknown. Until such issues are resolved, we will not use AIC224 revenue for this subclass.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-7. Please refer to your statement on Page 7 that refers to "a supplemental probability based sample of non-automated post offices[.]" With respect to those offices:

- a. please provide the total number of non-automated post offices to which you are referring;
- b. how many of these non-automated post offices provide information on revenues, pieces or weight for the BRPW report?
- c. how many strata for sampling are created for this sample, and what are the criteria for identifying the strata?
- d. do the revenues for Within County periodicals mail reported through this probability based sample consistently match revenues reported from any AIC maintained by the Postal Service for Within County mail? If they do not, please explain why they do not. Please also explain how the Postal Services adjusts the results provided by this sample in any data category to match the AIC to the sample outcomes or vice versa?

RESPONSE:

a – b. The total number of non-automated offices and the number sampled that provide information on revenue, pieces and weight can be found in table 1 of USPS-LR-L-17/R2006-1.

c. The number of strata are shown in table 1 of USPS-LR-L-17/R2006-1. The strata boundaries for the five strata were derived using the cum $\sqrt{f((y))}$ rule (see Sampling Techniques by William G. Cochran, 3rd edition, New York, New York 1977, page 129) for the maximum revenue of either Q2 FY2003 AIC224 revenue, the sum of survey Within County and Outside County revenue, or the quarterly average of a period consisting of the eight quarters in FY2001 and FY2002 of AIC224 revenue by finance number or post office. These strata were established after first defining the sampling frame from these sources and from a listing of automated offices in FY2003. The sampling frame included the set of offices that were not automated, and where a function of In-County and Outside County revenue was greater than \$100.

d. See my response to NNA/USPS-T3-6.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-8. What percentage of total mail pieces reported by the Postal Service in Table 1. Fiscal Year 2005 Revenue, Pieces and Weight Estimates and Associated Confidence Limits for Within-County periodicals were derived by results from PostalOne? From the probability-based stratified sample? From other means?

RESPONSE:

The percentage from PostalOne is 60.6 percent. The estimated percentage from the probability-based stratified sample is 39.4 percent.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS T3-9. Please confirm that data on mail pieces, revenues and weights derived from PostalOne reports are more reliable than data derived from the probability-based stratified sample. If you do not confirm, please explain why they are not.

RESPONSE:

PostalOne as a data source provides census information. There is no sampling variation in census information. Probability-based estimates have sampling variation. To the extent that reliability is defined in these terms, yes PostalOne would be more reliable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS T3-10. Please confirm that data derived from the probability based stratified sample come from relatively smaller and more rural postal facilities than the data from Postal One. If you do not confirm, please explain the nature of facilities whose data are captured by the probability based stratified sample.

RESPONSE:

I understand that PostalOne offices tend to be larger than others. The probability based stratified sample represents non-PostalOne offices; so if my understanding is correct, these offices should be, on average, relatively smaller than PostalOne offices. In any case, the probability based stratified sample is designed to yield an unbiased estimate of national non-Postal One office activity, regardless of office size or location.