

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS NIETO TO INTERROGATORIES OF
OFFICE OF CONSUMER ADVOCATE [OCA/USPS-T24-1-8]
(July 12, 2006)

The United States Postal Service hereby provides the responses of Postal Service witness Norma B. Nieto to the above-listed interrogatories of Office of the Consumer Advocate, filed on June 28, 2006.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Response of Postal Service Witness Norma B. Nieto
To Interrogatories Posed by OCA

OCA/USPS-T24-1. This interrogatory requests information on the selection of sites for the collection of data as outlined in Library Reference USPS-LR-L-78.

- (a) Please provide the analysis substantiating the selection of \$537,786 for stratification purposes between large and small sites.
- (b) Please provide the total number of large sites from the 15,096 post offices with the POS-ONE system.
- (c) Please provide the total number of small sites from the 15,096 post offices with the POS-ONE system.
- (d) Please provide the mean and standard deviation for total revenue in 2005 for large sites.
- (e) Please provide the mean and standard deviation for total revenue in 2005 for small sites.
- (f) Please provide the mean and standard deviation for POS-ONE sites in 2005.
- (g) Please provide the analysis substantiating the selection of 27 sites rather than some other number of sites for data collection purposes.
- (h) Please provide the analysis substantiating the decision to collect data from two large and one small site, rather than some other proportion and number of sites.

Response:

- a. \$537,786 represents the median annual revenue per site and was chosen as the measure of central tendency used to split the sample into two strata with an approximately equal number of sites in each stratum.

- b. 7,544.

- c. 7,542.

- d. The mean annual revenue for the large sites was \$1,348,940. The standard deviation was \$930,351.

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- e. The mean annual revenue for the small sites was \$245,670. The standard deviation was \$149,923.

- f. Assuming it is the data on annual revenue that is requested for the POS-One sites, the mean revenue for all sites was \$797,013. The standard deviation was \$864,918.

- g. As stated in my "Purpose and Scope" section the purpose of my testimony was to update the transaction time study which supported the estimation of transaction supply side variabilities for window service costs. The original sample selection, which consisted of 19 sites, was first introduced by the Postal Service in Docket No. R97-1. In so far as I could determine, no party to that proceeding criticized or took issue with the approach or the results. The Commission accepted it without criticism or suggestion for improvement or revision. The resulting variabilities were used by both the Postal Service and the Commission in Docket No. R2000-1, Docket No. R2001-1, and Docket No. R2005-1. In none of those dockets did any party criticize or object to any part of the analysis. Given this history, it seemed appropriate to adopt a similar sample size. The sample size was increased because of the availability of additional data collectors, and 3 offices were chosen from each of the 9 USPS areas to provide equal geographic representation.

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- h. The proportion of 2 large sites to 1 small site was chosen to balance the considerations of maximizing the number of transactions observed with including small offices. Including more large offices than small is likely to increase the number of transactions observed, but small offices were also included to account for the possibility that they might have differences in transaction times despite having fewer transactions per day. Note that the econometric analysis recommended by Professor Bradley includes a site-specific categorical variable for each office which accounts for possible size effects.

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OCA/USPS-T24-2. At the 27 sites for data collection, the Postal Service ultimately obtained a total of 7915 observations, broken down between varieties of products.

- (a) Did you perform an analysis of the number of transaction observations needed for each product in order to determine whether the sample was statistically representative? If your answer is affirmative, please provide the study. If your answer is negative, please discuss in detail, indicating how such a study could be conducted and why such a study was not conducted.
- (b) Are there any products in your sample for which the sample is not statistically meaningful?

Response:

a.& b. No analysis of the number of transaction observations needed for each product was performed, because the study was not designed to provide national estimates of product-specific transaction times or product volumes. The notion of “statistically representative” product observations is not well-defined in the context of this update because many transactions contain multiple products. Rather, the objective of the transaction time study was to create a database that contained sufficient transactions to allow an update of the established transaction time econometric model.

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OCA/USPS-T24-3. This interrogatory requests information on the collection of time information relative to transactions as discussed in Library Reference USPS-LR-L-78 at page 10. You indicate that "...it was determined that data collectors could possibly record either the start of an activity (transaction, or clerk moving away from the window) or the end, since the recording of the beginning of a new activity was simultaneous with the end of the previous activity, or vice versa." In your testimony at page 6 you indicate that data collectors recorded time of the customer approaching the window, time the transaction began, and time the transaction ended.

- (a) Please reconcile what appears to be conflicting information and please indicate how time was recorded.
- (b) If business were slow at a site and assuming that time data were collected as indicated in Library Reference USPS-LR-L-78, is there not the possibility that a substantial amount of time would be recorded during which time the clerk was simply awaiting the arrival of a customer? Please confirm that such time could be a few seconds, with the casual arrival of customers or even a few minutes at a slow time of day. If you do not confirm, please explain.
- (c) How was waiting time between transactions recorded?
- (d) Was waiting time included as part of the measured time related to transactions? Please explain.
- (e) You discussed the "walk" part of the transaction in your testimony on page 6. Is it correct that the "walk" part of the transaction was included in some transactions and not in others? Please explain.
- (f) If the "walk" time, as identified in (e) or the waiting time, as identified in (b), were included in transactions, is it possible that time for an identical transaction could be significantly different from office to office—depending not upon type of transaction but, rather, on office layout and level of patronage? Please explain.

Response:

- a. The reference in USPS-LR-L-78 refers to the recording methodology options tested during the pilot test. The reference in my testimony on page 6 correctly describes the final methodology used to record time in the actual study.
- b. Confirmed, that if indeed there was time waiting for customers, the study would identify it as waiting time.

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- c. After each transaction ended, data collectors continued to observe the clerk activities. If the clerk was waiting for a customer, the data collector then indicated the activity as "Clerk Waiting for Customer" and recorded when the clerk stopped waiting for a customer and began the next activity.

- d. No. The purpose of the transaction time study was to construct a database permitting an update of the econometric model of transaction time, thus any non-transactional time was not relevant.

- e. That is not correct. The "walk" part of the transaction was recorded for those transactions in which the walk was long enough to allow a data collector to record a separate measurement. However, the time associated with the "walk" part of the transaction was not included in the calculation of transaction time for any transactions, for the reason discussed in part (d) above.

- f. Yes, it is possible. However, neither the waiting time nor the walk time was included in the transaction time.

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OCA/USPS-T24-4. The purpose of this interrogatory is to request additional information concerning “nested” transactions, as discussed on page 11 of Library Reference USPS-LR-L-78. Please list the number of nested transactions retained and the number of nested transactions deleted by product type.

Response:

The number of nested transactions retained was 133, and the number of nested transactions which were not included in the final data set was 57. Product type information for the nested transactions that were not included is not available, because they were not matched to the POS-data that provides the product-specific information.

The table below provides the product-type information for the nested transactions retained. The counts provided in the table that follows indicate the number of transactions in which that type of product was transacted, not the number of items of the product that were sold.

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Product Category	Number of Nested Transactions Containing Type of Product
Stamps Bulk	15
Stamps Non-Bulk	11
First Class	23
Priority Mail	31
Express Mail	21
Parcel Post	5
Other Weigh & Rate	1
PVI	0
International	12
Money Order	7
Certified Mail	15
Insurance	5
Registered	2
Other Special Services	22
Stamped Envelopes	7
Retail Products	7
PO Box	0
Passport	0
General Services	1
Other	6

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OCA/USPS-T24-5. The Postal Service gathered the transaction data during April and May. Do you have any studies or experience to confirm that the postal transactions occurring during these two months are representative of postal transactions for an entire year? Please explain.

Response:

The goal of the study was not produce an estimate of total annual transactions by type but rather to produce a dataset that permitted an update of the established transaction time econometric model. Based upon the acceptance of the previous study which underlies the established model, it was reasonable to expect that a similar but larger data set would be sufficient for an update. In addition, prior to conducting the study, I consulted with USPS Retail Operations experts to determine whether there were any issues associated with the selected period of time. In order to minimize the potential disruption of having data collectors visit post offices during tax time, the study was conducted after April 15th.

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OCA/USPS-T24-6. For each type of product, please provide information on the number of observations gathered and the number of observations that actually were in the database.

Response:

The total number of transactions observed by the data collectors was 9,459. The total number of observations that were in the database provided to witness Bradley was 7,915. As described in my testimony and library references, product-specific information for each transaction came from POS-ONE. The 1,535 transactions not included in the final database were not included because they could not be matched with the product information from the POS-ONE data. Because product information could not be obtained, these transactions cannot be broken down by product type. The requested product type information for the 7,915 transactions included in the database can be found in the table below. Please note that transactions contain multiple products and multiple quantities of products. The counts provided in the table that follows indicate the number of transactions in which that type of product was transacted, not the number of items of the product that were sold.

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Product Category	Number of Transactions Containing Type of Product
Stamps Bulk	2043
Stamps Non-Bulk	1278
First Class	1789
Priority Mail	1555
Express Mail	326
Parcel Post	295
Other Weigh & Rate	162
PVI	114
International	371
Money Order	862
Certified Mail	394
Insurance	316
Registered	16
Other Special Services	845
Stamped Envelopes	166
Retail Products	363
PO Box	86
Passport	47
General Services	528
Other	443

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OCA/USPS-T24-7. For each location and each day, please indicate the number of clerks from whom transactions data were gathered.

Response:

The table below indicates number of clerks observed for each location per day. Note that data collectors were assigned to registers, not clerks. In offices where clerks switched between registers, the data collector remained at the designated register.

LocID	Day 1	Day 2
2303	1	1
4079	2	2
4881	3	3
20171	2	2
21799	2	3
27500	3	2
30283	4	4
30442	4	2
36211	4	2
39717	3	3
40832	4	3
69225	4	6
69759	3	3
70364	2	2
84745	4	4
85098	1	2
98456	2	2
107799	1	1
116806	2	2
118483	5	3
119685	2	2
119973	3	2
120905	4	4
123775	3	3
126721	2	2
127869	3	4
128644	2	2

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OCA/USPS-T24-8. One would expect that, in addition to processing transactions, clerks also have other periods of time during which they may perform other tasks, take breaks, or standby ready to serve. Was any of this time included in the transaction time recorded in the study? Please explain.

Response:

No. The data collectors did record time associated with clerks performing other tasks, taking breaks, or waiting for customers. However, none of the time associated with these non-transactional activities was included as transaction time in the study or provided to witness Bradley for inclusion in the update of the established econometric model.