

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20260-0001

POSTAL RATE AND FEE CHANGES,  
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

TESTIMONY OF  
L. PAUL LOETSCHER  
ON BEHALF OF  
THE UNITED STATES POSTAL SERVICE

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1 **Autobiographical Sketch**

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3 My name is L. Paul Loetscher. I am a Senior Economist at Christensen  
4 Associates, which is an economic research and consulting firm located in  
5 Madison, Wisconsin. I joined Christensen Associates in 1995 as a Staff  
6 Economist. In 1997 I was promoted to Economist and in 1999 I became a Senior  
7 Economist. My education includes a B.A. in economics from Colorado State  
8 University in 1990 and an M.A. in economics from Michigan State University in  
9 1993. I earned an M.A. by completing coursework and qualifying examinations  
10 for a Ph.D. but did not complete a dissertation. While a graduate student at  
11 Michigan State University, I was a teaching assistant for four years. I was an  
12 instructor for Intermediate Microeconomics, Labor Economics, and Principles of  
13 Microeconomics.

14

15 Much of my work at Christensen Associates has dealt with the statistical issues  
16 related to the estimation of mail volumes and mail characteristics. In Docket  
17 R2004-1 I presented testimony (USPS-T-3) on the size distributions and density  
18 of Priority Mail parcels. In Docket No. R2001-1 I presented testimony (USPS-T-  
19 41) on the measurement of domestic mail volumes by shape, ounce increment,  
20 and rate element, and the measurement of the entry profile of Outside County  
21 Periodicals mail pieces.

1 **I. Purpose of Testimony and Roadmap Overview**

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3 The purpose of my testimony is to present and sponsor three library  
4 references: USPS-LR-K-87/R2005-1 which contains estimates of revenue,  
5 pieces and weight by shape and indicia for First Class Mail, Standard Mail and  
6 Periodicals Mail, USPS-LR-K-91/R2005-1 which contains estimates of the  
7 distribution of Periodicals Mail sack sizes, and USPS-LR-K-92/R2005-1 which  
8 provides estimates of the Standard Mail Mail Entry Point Profile (MEPP) and  
9 Periodicals Mail preparation characteristics that are consistent with FY 2004  
10 volume distributions.

11 The estimates contained in USPS-LR-K-87/R2005-1 are used by witness  
12 Loetscher (USPS-T-32/R2005-1) in the preparation of USPS-LR-K-92/R2005-1,  
13 Witness Miller (USPS-T-19/R2005-1), witness Smith (USPS-T-13/R2005-1),  
14 witness Kelly (USPS-T-16/R2005-1), witness Moser (USPS-T-23), and witness  
15 Cutting (USPS-T-26/R2005-1). The estimates contained in USPS-LR-K-  
16 91/R2005-1 are used by witness Loetscher (USPS-T-32/R2005-1) in the  
17 development of USPS-LR-K-92/R2005-1 and by witness Mayes (USPS-T-  
18 25/R2005-1). The estimates contained in USPS-LR-K-92/R2005-1 are used by  
19 witness Miller (USPS-T-19/R2005-1), and Mayes (USPS-T-25/R2005-1) and  
20 witness Taufique (USPS-T-28/R2005-1).

1 **II. LR-K-87 Revenue Pieces and Weight by Shape, Weight Increment**  
2 **and Indicia**

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4 Estimates of revenue, pieces, and weight by shape and indicia for First-  
5 Class Mail, Standard Mail and Periodicals Mail are produced by using the  
6 ODIS/RPW sample data and the PostalOne mailing statement database. In  
7 developing these estimates, the general methodology and revenue controls used  
8 in the production of official RPW estimates are employed, but in this analysis the  
9 shape and indicia detail contained in the two data systems is retained and used  
10 to distribute official estimates by shape and indicia. In Standard Mail, the  
11 distribution across weight increment is produced in addition to the distribution by  
12 shape and indicia. This study updates USPS-LR-J-112/R2001-1. A detailed  
13 description of the methodology employed in producing these estimates is  
14 documented in USPS-LR-K-87/2005-1.

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16 **III. LR-K-91 Distribution of Periodicals Mail Sack Sizes**

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18 A national study of Periodicals Mail sacks is used to develop estimates of the  
19 distribution of sacks by sack size (number of pieces contained) and sack presort  
20 level. The study uses data from a national sample of Periodicals Mail publications  
21 with circulation under 15,000 pieces and Mail.dat files obtained through the  
22 PostalOne electronic verification system for larger publications. Publications are  
23 stratified and weighted using the FY 2003 PERMIT system postage statement

1 data. The study design, data collection procedures and estimation methods are  
2 described in detail in USPS-LR-K87/2005-1.

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#### 4 **IV. LR-K-92 Standard Mail MEPP and Periodicals Mail Preparation**

##### 5 **Characteristics**

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7 The two studies in USPS-K-92/R2005-1 use FY 2004 shape and rate data from  
8 LR-K-87/R2005-1 to develop estimates of the Standard Mail Mail Entry Point  
9 Profile (MEPP) and Periodicals Mail flats preparation characteristics that are  
10 consistent with the breakthrough productivity initiatives and FY 2004 rates. The  
11 impact of the 3-Digit scheme (L008) and sack reduction breakthrough  
12 productivity initiatives described by witness McCrery (USPS-T-29) in USPS-LR-  
13 K-49 are estimated using information on the contents of less than 24 piece  
14 Periodicals Sacks from USPS-LR-K-91 and the distribution destinating volume of  
15 Standard Mail and Periodicals Mail by 3-Digit zone from the ODIS/RPW sample.  
16 Descriptions of the methodology and assumptions made in these studies are  
17 provided in the text of USPS-LR-K-92/R2005-1.

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