



January 21, 2020

Hon. Ruth Ann Abrams, Acting Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Dear Ms. Abrams:

In accordance with Commission Rule 3050.26, I am submitting today copies of the Postal Service's econometric estimates of demand elasticities for all postal products. I have uploaded two folders on the United States Postal Service Secure Large File Transfer Web Application Portal (USPS SLFT); the public folder, filed in the Public Periodic Reports folder on USPS SLFT, provides materials relating to mail categories that fall into the Market Dominant domain, while the non-public folder, filed in the Non-Public Periodic Reports folder on USPS SLFT, provides materials relating to mail categories in the Competitive domain. The contents of these folders update the demand analyses for categories of mail and services provided to the Commission last year.

To support submission of the material relating to Competitive products filed under seal, the Postal Service incorporates by reference, pursuant to 39 C.F.R. § 3007.201(c), the "Application of the United States Postal Service for Non-Public Treatment of Materials" transmitted with last year's report.¹ This application describes the non-public material, presents the statutory basis for the Postal Service's request for confidentiality, and describes the harm that would result from disclosure.

If you have any questions or concerns about the Postal Service's position on disclosure of any information provided today or subsequently, please contact me. As in the past, the Postal Service expects that any FOIA request for the records and information provided at this time will entail consultation between the Postal Service and the Commission, before any records are made publicly available. This approach accords with Department of Justice guidance and with our understanding of the Commission's current policy regarding such requests.

Best regards,

Kara C. Marcello
Attorney
Pricing and Product Support

cc: Ms. Taylor
Enclosures

¹ Letter from Kara C. Marcello to Hon. Stacy L. Ruble, Attachment Two (Jan. 28, 2019).

**Listing of Files Being Provided to the Postal Regulatory Commission
Documenting the United States Postal Service's Demand Equation
Estimation and Volume Forecasting Methodologies**

Prepared for the Postal Regulatory Commission
January, 2020

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The following is a list and brief overview of the files being provided to the Postal Regulatory Commission at this time, documenting the Postal Service's econometric demand equation methodology and providing a volume forecast for Fiscal Year 2020.

These files are divided into two folders as follows.

1. Competitive

This folder contains four Microsoft Word documents and two sub-folders which document the Postal Service's econometric demand equations and one-year-ahead forecasts for Competitive mail products.

The first Word document, 'Changes.vs.2019(c).doc' describes changes to the Postal Service's Competitive econometric demand equation specifications from those filed in January, 2019.

The second document, 'DataDictionary(c).doc' provides a glossary of terms used throughout this documentation.

The third document, 'DemandEquations-Jan2020(c).doc' provides a detailed presentation of the exact specifications for all of the Postal Service's demand equations for Competitive mail products with full econometric output.

The fourth document, 'DemandEquationTables(c).doc' presents summary tables of key econometric output for all of the Postal Service's demand equations for Competitive mail products.

Sub-Folder: Regressions

The files used to generate the Postal Service's econometric demand equations for Competitive products are presented in the sub-folder Regressions.

Econometric demand equations for Competitive products are estimated using the statistical software EViews (version 11). The program which generates the econometric output is DEQN c.prg. The files PRE_EQS.prg and PROGGUTS.prg are called from

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DEQN_c.prg and contain the bulk of the methodological framework used for estimation. The equation-specific explanatory variables, restrictions, et al., are identified in the VOL*.prg files. A glossary of suffixes for the VOL*.prg files can be found in the Word document, DataDictionary(c).doc.

The data used to estimate these demand equations is read into EViews from the Excel spreadsheet, RCFDATA_c.xlsx. The econometric output generated by EViews can be found in the text file, OUT_c.txt.

Sub-Folder: **Volume Forecasts**

This folder contains two files which document the Postal Service's volume forecasts for Competitive products. The file, 'VolumeForecastMethodology(c).doc' is a Microsoft Word document which describes the Postal Service's methodology for making volume forecasts.

The file, 'VF-Jan2020(c).xlsx' is a Microsoft Excel spreadsheet which generates volume forecasts for the four quarters of the current Postal Fiscal Year (FY 2020) for the Postal Service's competitive products.

2. Market Dominant

This folder mirrors the **Competitive** folder only for Market Dominant mail products. Like the **Competitive** folder, this folder contains four Microsoft Word documents and two sub-folders. These files document the Postal Service's econometric demand equations and one-year-ahead volume forecast for Market Dominant mail products.

The first Word document, 'Changes.vs.2019(md).doc' describes changes to the Postal Service's Market Dominant econometric demand equation specifications from those filed in January, 2019.

The second document, 'DataDictionary(md).doc' provides a glossary of terms used throughout this documentation.

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The third document, 'DemandEquations-Jan2020(md).doc' provides a detailed presentation of the exact specifications for all of the Postal Service's demand equations for Market Dominant mail products with full econometric output.

The fourth document, 'DemandEquationTables(md).doc' presents summary tables of key econometric output for all of the Postal Service's demand equations for Market Dominant mail products.

Sub-Folder: Regressions

The files used to generate the Postal Service's econometric demand equations for Market Dominant products are presented in the sub-folder Regressions.

Econometric demand equations for Domestic Market Dominant products are estimated using the statistical software EViews (version 11). The program which generates the econometric output is DEQN_md.prg. The files PRE_EQS.prg and PROGGUTS.prg are called from DEQN.prg and contain the bulk of the methodological framework used for estimation. The equation-specific explanatory variables, restrictions, et al., are identified in the VOL*.prg files. A glossary of suffixes for the VOL*.prg files can be found in the Word document, DataDictionary(md).doc.

The data used to estimate these demand equations is read into EViews from the Excel spreadsheet, RCFDATA_md.xlsx. The econometric output generated by EViews can be found in the text file, OUT_md.txt.

Sub-Folder: Volume Forecasts

This folder contains two files which document the Postal Service's volume forecasts. The file, 'VolumeForecastMethodology(md).doc' is a Microsoft Word document which describes the Postal Service's methodology for making volume forecasts.

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The file, 'VF-Jan2020(md).xls' is a Microsoft Excel spreadsheet which generates volume forecasts for market-dominant products for the four quarters of the current Postal Fiscal Year (FY 2020).