

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

FIRST-CLASS MAIL AND PERIODICALS
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-1

**NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING ERRATA TO THE DIRECT TESTIMONY OF POSTAL SERVICE WITNESS
THRESS (USPS-T-5)
(June 2, 2021)**

The United States Postal Service hereby provides notice of filing errata to the Direct Testimony of United States Postal Service Witness Thomas Thress (USPS-T-5), originally filed in this docket on April 21, 2021. The revised testimony updates the estimated financial impact of the proposed service-standard changes.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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June 2, 2021

1 III. Estimated Financial Impact of Service Standard Changes

2 A. Expected Change in Average Days to Delivery

3 The equations presented in Section II above provide a basis for estimating the
4 potential change in First-Class Mail and Periodicals Mail volumes in response to a
5 change in service standards. In order to make such an estimate, it is first necessary to
6 estimate the expected change in average days to delivery due to the proposed service
7 changes.

8 The Postal Service estimates that the proposed changes to service standards could
9 increase average delivery time by as much as 19 percent within the affected delivery
10 networks.

11 B. Estimated Volume Losses and Accompanying Financial Impact

12 1. Overview

13 Given the functional form of the econometric demand equations presented in
14 Section II, given a coefficient on average days to delivery, e , the percentage change in
15 volume, v , due to a percentage change in average days to delivery, d , is solved via the
16 following formula:
17

$$18 \quad v = (1 + d)^e - 1$$

19 So, for example, for a coefficient of -0.1, a 19 percent increase in average days to
20 delivery would lead to a 1.72 percent decline in mail volume:

$$21 \quad v = (1 + 19\%)^{-0.1} - 1 = 1.19^{-0.1} - 1 = 0.9828 - 1 = -1.72\%$$

22
23
24 The total number of pieces of volume lost could then be calculated by multiplying
25 that percentage by a baseline level of volume. Multiplying lost volume by revenue per
26 piece would generate the estimated loss in gross revenue to the Postal Service due to
27 changes in average days to delivery. Multiplying lost volume by contribution per piece

1 would generate the estimated net financial impact of changes in average days to
2 delivery to the Postal Service.

4 **2. First-Class Mail**

5 Applying the econometric coefficients on average days to delivery from Section II.B.
6 to a 19 percent expected increase in average days to delivery would reduce First-Class
7 Single-Piece Mail volume by approximately 1.71 percent. Using FY 2020 numbers as
8 baselines, that would translate into a loss of 270.8 million pieces of First-Class Mail
9 Single-Piece Mail. Multiplying by FY 2020 revenue per piece, this would translate into a
10 loss in gross revenue of \$156.9 million. Multiplying the volume loss by contribution per
11 piece from the FY 2020 CRA, this would lead to an expected decline in contribution of
12 approximately \$54.3 million.

13 A 19 percent expected increase in average days to delivery would be expected to
14 reduce First-Class Workshare Mail volume by approximately 0.69 percent, which (using
15 FY 2020 numbers) translates into a loss of 252.3 million pieces of mail, \$96.7 million in
16 gross revenue, and \$56.6 million in lost contribution.

17 Adding these together, the expected losses to First-Class Mail if average days to
18 delivery increased by 19 percent would be 523.1 million pieces of mail, \$253.6 million in
19 gross revenue, and \$110.9 million in lost contribution.

21 **3. Periodicals Mail**

22 The proposed service standards are only expected to affect seven percent of
23 Periodicals Mail volume. Hence, a 19 percent increase in average days to delivery for
24 affected mail would only increase average delivery time for total Periodicals Mail by 1.3
25 percent (19% times 7%). Applying the econometric coefficients on average days to
26 delivery from Section II.C. to a 1.3 percent expected increase in average days to
27 delivery would reduce Periodicals Mail volume by approximately 0.11 percent. Using

1 FY 2020 numbers as baselines, that would translate into a loss of 4.3 million pieces of
2 Periodicals Mail and \$1.2 million in gross revenue. Contribution per piece for
3 Periodicals Mail was negative in FY 2020 so that a reduction in volume of 4.3 million
4 pieces would lead to a slight increase in total expected contribution to the Postal
5 Service of \$0.8 million.