

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

FIRST-CLASS PACKAGE SERVICE (FCPS)
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-2

**NOTICE OF DESIGNATED MATERIALS AND NOTICE OF FILING OF DECLARATION
ATTESTING TO THE PROPOSED RECORD MATERIAL FOR UNITED STATES
POSTAL SERVICE INSTITUTIONAL WITNESS OWENS**
(August 10, 2021)

Pursuant to the Presiding Officer's Ruling No. N2021-2/3 (July 26, 2021) and N2021-2/6 (August 6, 2021), the United States Postal Service hereby provides this Notice of Designated Materials for Postal Service institutional witness Owens. Pursuant to the rulings, attached to this notice are (i) a declaration of witness Owens supporting the authenticity of her designated responses to Presiding Officer Information Requests, including the library references accompanying her responses, (ii) an index of the library references sponsored by witness Owens, and (iii) the designated responses of witness Owens as designated by the Presiding Officer. Witness Owens did not submit direct testimony. No other parties designated materials for witness Owens.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony Alverno
Chief Counsel, Global Business & Service
Development
Rory E. Adams

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
(202) 268-8706
Rory.E.Adams@usps.gov
August 10, 2021

**POSTAL REGULATORY COMMISSION
DOCKET NO. N2021-2
DECLARATION OF SHARON OWENS**

I, Sharon Owens, hereby declare, under penalty of perjury, that:

I am sponsoring Library Reference USPS-LR-N2021-NP15;

The attached responses to Presiding Officer Information Requests, which were filed with my authorization and which have been designated for inclusion in the record in this docket, were prepared by me or under my direction; and

If I were to respond to these Presiding Officer Information Requests orally today, the responses would be the same.

Sharon Owens Digitally signed by Sharon Owens
Date: 2021.08.06 11:02:42 -0400

Electronic Signature

DATE: August 6, 2021

**LIBRARY REFERENCE SPONSORED BY UNITED STATES POSTAL SERVICE
WITNESS SHARON OWENS**

United States Postal Service Witness Sharon Owens sponsors the following
library reference:

- USPS-LR-N2021-2-NP15 – Information Responsive to Presiding Officer's
Information Request No. 7 Questions 4-5.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS OWENS TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 6
(REDIRECTED FROM WITNESS HAGENSTEIN)**

9. Please discuss any future plans that the Postal Service may have to change the service standards of other mail products. Please include whether maintaining existing service standards of other mail products may cause the expected transportation cost savings to not be fully realized.

RESPONSE:

Aside from the service standard change proposal at issue in this proceeding, the Postal Service is considering changing the service standards of First-Class Mail and Periodicals as set forth in Docket No. N2021-1. The Postal Service Board of Governors has responsibility for reaching decisions on changes to all service standards. At this time, the Board of Governors has not decided to change or seek an advisory opinion regarding changes to any mail products other than those at issue in this proceeding and Docket No. N2021-1. Maintaining existing service standards of other mail products does not affect the Postal Service's financial analyses of the changes proposed here.

**INSTITUTIONAL RESPONSE OF POSTAL SERVICE WITNESS OWENS TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 7
(REDIRECTED FROM WITNESS FOTI)**

4. Please provide the price elasticities for the retail and commercial segments of FCPS. If these elasticities are routinely provided to the Commission, please identify the docket in which they were more recently filed, as well as the reference number.

RESPONSE:

I am informed that, currently, a single equation is estimated for all First-Class Parcels. I am further informed that, previously, separate elasticities for Retail and Commercial were estimated and provided to the Commission (under seal) in the January Demand Analysis filings through January of 2018 (January 19, 2018). Starting in the January 2019 Demand Analysis Filing and thereafter, the two have been combined, and there are no separate elasticity estimates to provide. More details are provided under seal as part of USPS-LR-N2021-2-NP15.

**INSTITUTIONAL RESPONSE OF POSTAL SERVICE WITNESS OWENS TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 7
(REDIRECTED FROM WITNESS FOTI)**

5. Please discuss how retail and commercial FCPS differ in terms of customer sensitivity to changes in price. Please also discuss how often the Postal Service updates this model, and what changes to the model were made to reflect the product transfer to the Competitive product list. Please explain how retail and commercial FCPS compare in terms of attributable costs. In your response, please include an explanation of how any costs incurred by either the retail or the commercial category only (and not the other) would affect the cost profile. Please discuss what actions the Postal Service has undertaken to develop separate attributable costs, at the product level, for commercial and retail FCPS.

RESPONSE:

In terms of the first portion of this question relating to demand analysis, please see the response to question 4 of this Information Request, filed under seal as part of USPS-LR-N2021-2-NP15.

With respect to attributable costs, although no formal comparison of the unit attributable costs between retail and commercial FCPS was done in FY 2020, the expectation was that retail FCPS costs were greater than commercial FCPS costs primarily because a much larger proportion of retail FCPS volume encounters costly window transactions. As for cost differences in other major functions such as mail processing and transportation, there are some specific mail characteristics that likely result in material, but smaller, unit cost differences between the two categories. In mail processing, unit costs are likely lower for commercial FCPS because more pieces are bulk entered and have better labeling and address hygiene than retail FCPS. In purchased transportation, conversely, unit costs are likely higher for commercial FCPS because, on average, the pieces travel longer distances and are roughly 30 percent heavier,

**INSTITUTIONAL RESPONSE OF POSTAL SERVICE WITNESS OWENS TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 7
(REDIRECTED FROM WITNESS FOTI)**

on a unit basis, than retail FCPS. My understanding is that the cost differences in mail processing and transportation are probably much smaller than those experienced in window service.

The Postal Service has not conducted a formal analysis to developing separate unit costs for commercial and retail FCPS since FY 2017, when First-Class Mail Parcels (hereafter retail FCPS) was its own Market Dominant product and its financials were reported on the Public Cost and Revenue Analysis (PCRA, USPS-FY17-1) report. In that year, retail FCPS had a unit attributable cost of \$2.51 compared to \$2.02 for commercial FCPS, a difference of \$0.49 between the two categories. Further inspection from FY 2017 shows the piggyback window costs for retail FCPS encompassed \$0.39 or roughly 16 percent of its total attributable costs. Starting in FY 2018, retail FCPS was shifted to a competitive product within FCPS. Since the products were combined, informal approximations have been done to disaggregate the unit attributable costs for retail and commercial FCPS, and typically those approximations merely have assumed that all window costs get assigned to retail FCPS.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS OWENS TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8
(REDIRECTED FROM WITNESS HAGENSTEIN)**

2. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) states that “during the COVID-19 emergency, the Postal Service—(1) shall prioritize delivery of postal products for medical purposes.” Pub. L. No. 116-136 § 6001(c) (March 27, 2020).
- a. Please explain how the Postal Service adhered to this provision during FY 2020 through the present with regard to FCPS containing items sent for medical purposes.
 - b. Please explain how the Postal Service plans to adhere to this provision after implementing the proposed standards (if the COVID-19 emergency continues at that time) with regard to FCPS containing items sent for medical purposes.

RESPONSE:

- 2.a. In response to a very similar question in Docket No. ACR2020, the Postal Service explained in detail its approach to adherence to this provision. Response to ChIR No. 6, Question 16 (February 4, 2021). That explanation pertains equally to the instant question. Briefly stated, starting in FY 2020 and continuing through the present, as part of our steadfast commitment to delivering medications throughout the nation, Postal Service management has continuously reviewed pharmaceutical package service performance to the best of our ability, and worked closely with all mail-order prescription mailers to improve overall service. In addition, weekly operational meetings were established with pharmaceutical mailers to provide updates on service conditions and process improvements. More fundamentally, as an organization, the Postal Service has undertaken efforts throughout all levels to ensure the timely processing, dispatching and delivery of pharmaceutical shipments. These efforts included, to the extent that personnel in the field had some

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS OWENS TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8
(REDIRECTED FROM WITNESS HAGENSTEIN)**

tangible basis to view particular mail pieces as likely constituting a pharmaceutical shipment, attempts to expedite handling of such pieces.

- 2.b.** The Postal Service does not anticipate that implementation of FCPS service standard changes that are the subject of this proceeding would have any effect on the current practices employed to adhere to this provision. To the extent feasible, as described above, the Postal Service would continue to give priority to the delivery of postal products (including FCPS) for medical purposes. Moreover, the testimony of witness Hagenstein describes how, under the contemplated service standard changes, almost all pharmaceutical volume presently subject to a two-day service standard would remain as two-day; and a majority of pharmaceutical volume presently subject to a three-day service standard would remain as three-day. USPS-T-1 at 36-36.