

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE TO OCA MOTION TO COMPEL  
PRODUCTION OF DOCUMENTS REQUESTED IN OCA/USPS-7  
(October 30, 2001)

The Office of the Consumer Advocate has moved to compel a further response to OCA/USPS-7, seeking the general results of residential and business customer satisfaction surveys not tied to specific classes of mail. The Postal Service maintains its position that such results are not relevant to the determination of rates and fees that defines the scope of this proceeding.

Despite its profession of “vehement disagree[ment]” (OCA Motion to Compel at 2), the OCA’s motion has no factual foundation and no rational basis. It offers only a string of assertions regarding the alleged relationship between the contingency, mail volume forecasts, and customer perceptions of service, all of which are fundamentally flawed. The most absurd proposition offered by the OCA is its “strong” disagreement with the view that variations from forecasted volumes and revenues in a postal rate proceeding are “inevitable.” Motion to Compel at 4. According to the OCA, the testimony of its witness Burns in the last case supports the notions that volumes and revenues are under the control of the Postal Service, and that by “improving service” the Postal Service can influence volumes, apparently, we are led to believe, to the point that variations between forecasted volume and revenues and actual volumes and revenues could be eliminated. The suggestion, however, that any one factor (much less any one factor under the control of the Postal Service) could possibly explain all variation in the

future demand for postal services is one which is unworthy of serious consideration.<sup>1</sup> No amount of wishful thinking by the OCA, the Commission, or the Postal Service can alter the fact that variations between actual volume and revenue levels realized in the test year and those forecasted in a rate case are indeed inevitable. Moreover, witness Burns has no particular expertise in postal volume forecasting and the OCA's attempt to rely on his testimony in this regard carries no weight.

The OCA “further notes that customer perceptions about the Postal Service and its efficiency, accuracy, convenience, and courtesy undoubtedly will influence the growth or diminution of volumes in the test year.” Motion to Compel at 5. In fact, however, there is no *a priori* basis to believe this claim to be true, and the OCA in neither this case nor in any previous case has presented any empirical evidence to support it. Unless there is some reason to expect that customer perceptions of postal products will change between the base period and the test year, there is no reason to expect that those perceptions will have any effect on the test year forecasts. Moreover, even if such a change in customer perceptions were anticipated, neither the Postal Service nor the Commission has ever forecast mail volume in the aggregate. Postal volumes are forecast by service, and the OCA in this portion of its motion to compel is attempting to argue its need for aggregate customer satisfaction levels, as distinguished from those relating to particular products. While the OCA (Motion to Compel at 5) appears willing to acknowledge that customer perceptions that may influence value of service considerations can only be applied to the markups of particular classes and

---

<sup>1</sup> For starters, one is left to wonder how service *improvements* could be expected to function as a tool to reconcile actual volumes with forecast volumes in situations in which actuals are running *higher* than the amounts forecasted. Under such circumstances, would the OCA advocate that the Postal Service attempt to diminish service in order to curtail volume and better match actual volume performance to the forecast?

services, it fails to recognize that it is likewise only those customer perceptions that relate to particular products or services which could even arguably merit consideration in the forecasting process.

Perhaps even more fundamentally, the OCA fails to articulate how any assessment of the *historical* survey material it has requested could possibly aid in an evaluation of the volume and revenue forecasts associated with a *future* test year. Even assuming what at this point is a totally conjectural ability to relate past changes in customer satisfaction to past mail volume changes, on what basis could the OCA reasonably assert that customer satisfaction will move in any particular direction going forward? It is nothing short of fanciful to pretend that uncertainties about future mail volumes and revenues could be reduced by injecting into the volume forecasting process a factor which requires speculations about future customer satisfaction. Obviously, attempting to structure the forecast model along such lines would do nothing to reduce the level of uncertainty associated with the forecast, and, in fact, would only exacerbate it and reinforce the need for the contingency provision.

The OCA argues that it needs the survey results to incorporate into its own testimony relating to the contingency. Attempting to follow this logic reveals the absurdity of the argument in the OCA's motion. The OCA will no doubt be arguing, as it has consistently in the past, that the contingency provision should be smaller. The OCA's anticipated argument seems to be that since customer satisfaction and mail volume are allegedly within the control of the Postal Service, the Postal Service simply needs to do a better job of satisfying its customers, and then it wouldn't need such a large contingency because mail volume and revenue would increase as a result of increased customer satisfaction.

Even if the OCA were correct that customer satisfaction affected volume, its argument is unfortunately divorced from the hard reality that Vice Chairman Omas

recently exhorted the participants to take account of. At a time when the Postal Service has already curtailed many investments that would have improved service and is expected to incur significant net losses until new rates can be implemented, there is no money to dedicate to service improvement, even if the OCA's theory were correct. If the contingency provision were to be reduced, as the OCA undoubtedly will argue it should be, then the Postal Service's test year revenue would be even lower and the potential for net losses even greater. It is ridiculous to believe that lower test year revenue, and perhaps even continued net losses through the test year, are going to allow the Postal Service to provide better service and achieve higher customer satisfaction. The OCA cannot rely on its perceived need to make an absurd argument in an attempt to assert the relevance of information that is irrelevant to the actual work facing the Commission in the coming months, *i.e.*, the recommendation of rates, fees, and classifications for particular classes of mail and postal services.

If this proceeding were indeed about how to manage postal operations, or how to set postal budgets, it might not only be relevant, but fascinating, to hear the OCA's theory of how the Postal Service can improve service with less money. But, alas, the scope of this proceeding under the statute is simply not that broad. The statute does not provide for setting rates on the basis of whether a customer felt that a retail clerk smiled adequately this morning or not. The results of general customer satisfaction surveys are not relevant to setting rates and fees, which must be based on costs and the value of each particular service.

In this regard, the Postal Service agrees with the OCA that questions 2b, 2d, and 2e on the residential survey and question 6 on the business survey can be fairly interpreted to refer to specific classes of mail or postal services. The Postal Service therefore intends to provide the information with regard to those items pending the establishment of appropriate protective conditions.

With that exception, the OCA motion's flawed arguments do not support its burden of demonstrating the relevance of this information. Its motion to compel should therefore be denied.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

---

Scott L. Reiter

### **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

---

Scott L. Reiter

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2999 Fax -5402  
October 30, 2001