

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Notice of Price Adjustment

Docket No. R2009-2

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued February 17, 2009)

To clarify the basis of its estimates in its Notice of Price Adjustment, filed February 10, 2009, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than February 23, 2009.

1. Please refer to the Postal Service's Notice of Market-Dominant Price Adjustment (Notice) at 13. The Notice indicates that "the Postal Service will be making optional some requirements for presortation of automation First-Class Mail." Please identify the requirements being made optional and when the changes will become effective.
2. On page 14 of the Notice, the Postal Service briefly discusses its plan to offer a 0.3 cent per piece price reduction for full-service Intelligent Mail barcode (IMb) for First-Class. USPS-LR-R2009-2-1, CAPCALC-FCM-FY2009.xlsx, tab 'IM FS Incentive' indicates that the Postal Service expects that, at the time full-service IMb is implemented, 54% of automation letters, 44% of automation flats, and 40% of automation cards will qualify for the reduced price.
  - a. Please identify and explain the preparation requirements for such mail to qualify for the reduced price.

- b. Please explain how each of the estimated adoption percentages were developed, and provide all supporting studies, surveys, and other analysis including the “other information” mentioned in USPS-LR-R2009-2-1, First\_Class\_Mail\_R2009.doc at page 2.
- c. Please explain why each of the specific estimated adoption percentages used in the cap calculations are appropriate. (See § 3010.23(d)).
- d. The LR-1 analysis implies that the full-service IMb First-Class Mail pieces will migrate from mail that would otherwise be sent at non-IMb automation rates. Please provide an estimate of Postal Service costs that will be avoided by First-Class Mail pieces that meet the full-service IMb preparation requirements, with all possible quantitative support.
- e. Assuming for purposes of this question that the reduced price for full-service IMb is characterized as a worksharing discount, please discuss how the worksharing discounts for First-Class full service IMb comply with the requirements of section 3622(e) of title 39.
- f. In the development of the adoption percentages used in the cap calculations, the “Annual Adoption Rates” for cards is divided by two to calculate the “Implementation Fraction.” Please confirm that the annual adoption rate should be multiplied by the quotient of 23 divided by 52 instead.

3. On page 20 of the Notice, the Postal Service briefly discusses its plan to implement a 0.1 cent per piece differential for full-service Intelligent Mail for Periodical Mail. USPS-LR-R2009-2/3, CAPCALC-PER-FY2009.xls, tab 'IM FS Incentive' indicates that the Postal Service expects that, at the time full service
4. IMb is implemented, the following percent of Periodical mail categories to qualify:

Outside County	Annual Adoption	Within County	Annual Adoption
Auto Letters	63%	Basic Automation Letters	40%
Auto Flats	69%	Automation Flats	40%
CR Basic	63%	3-Digit Automation Letters	40%
High Density	63%	3-Digit Automation Flats	40%
Saturation	80%	5-Digit Automation Letters	40%
		5-Digit Automation Flats	40%
		Carrier Route	40%
		Carrier Route - High Density	40%
		Carrier Route-Saturation	40%

- a. Please identify and explain the preparation requirements for such mail to qualify for the reduced price.
- b. Please explain how each of the estimated adoption percentages were developed, and provide all supporting studies, surveys, and other analysis

including the “other information” mentioned in USPS-LR-R2009-2-3, Preface.doc at third unnumbered page.

- c. Please explain why each of the specific estimated adoption percentages used in the cap calculations are appropriate. (See § 3010.23(d)).
- d. The ‘IM FS Incentive’ tab implies that the full-service IMb Periodical Mail pieces will migrate from mail that would otherwise be sent at non-IMb automation rates. Please provide an estimate of Postal Service costs that will be avoided by Periodical Mail pieces that meet the full-service IMb preparation requirements, with all possible quantitative support.
- e. Assuming for purposes of this question that the reduced price for full-service IMb is characterized as a worksharing discount, please discuss how the worksharing discounts for Periodicals full service IMb comply with the requirements of section 3622(e) of title 39.
- f. Please explain the substantially higher adoption percentage expected for Outside County Saturation Periodicals than for other Outside County Periodicals.
- g. Regarding the estimated adoption percentages for Within County Periodicals, please explain:
  - i. Why the adoption percentage is substantially lower than for Outside County Periodicals?

- ii. Why the adoption percentage of Within County Periodical Flats is the same as Letters, when the adoption percentage of Outside County Flats is higher than Letters?
  - iii. Why the adoption percentage of Within County Saturation Periodicals is the same as all other Within County mail categories, when the adoption percentage for Outside County Saturation Periodicals is substantially higher than other Outside County Periodical Mail categories?
5. On page 17 of the Notice, the Postal Service briefly discusses its plan to offer a 0.1 cent per piece price reduction for full-service Intelligent Mail barcode (IMb) for Standard Mail. USPS-LR-R2009-2-2, CAPCALC-STD-FY2009.xlsx, tab 'IM Adjustment' indicates that the Postal Service expects that, at the time full-service IMb is implemented, 63% of Commercial and Nonprofit automation letters and 64% of Commercial and Nonprofit automation flats will qualify. Additionally, USPS-LR-R2009-2-2, CAPCALC-STD-FY2009.xlsx, tab 'HD-Sat-CR IM Adjustment' indicates that the Postal Service expects that, at the time full service IMb is implemented, 63% of Commercial and Nonprofit High Density and Carrier Route letters, 64% of Commercial and Nonprofit High Density and Carrier Route flats, and 80% of Commercial and Nonprofit Saturation letters will qualify for the reduced price.
- a. Please identify and explain the preparation requirements for such mail to qualify for the reduced price.
  - b. Please explain the development of each of the estimated adoption percentages, and provide all supporting studies, surveys, and other

analysis including the “other information” mentioned in USPS-LR-R2009-2-2, Standard Mail Attachment Preface FINAL.doc at fifth unnumbered page.

- c. Please explain why each of the specific percentages used in the cap calculations are appropriate. (See § 3010.23(d)).
  - d. The LR-2 analysis implies that the full-service IMb Standard Mail pieces will migrate from mail that would otherwise be sent at non-IMb automation rates. Please provide an estimate of Postal Service costs that will be avoided by Standard Mail pieces that meet the full-service IMb preparation requirements, with all possible quantitative support.
  - e. Assuming for purposes of this question that the reduced price for full-service IMb is characterized as a worksharing discount, please discuss how the worksharing discounts for Standard Mail full service IMb comply with the requirements of section 3622(e) of title 39.
6. On pages 49 and 51 of Appendix A to the Notice, the Postal Service provides for a 0.1 cent per piece price reduction for full-service IMb for Bound Printed Matter (BPM) presorted or Carrier Route Flats. USPS-LR-R2009-2-4, CAPCALC-PSVC-FY2009 final.xls, tab ‘FY2008 BDs BPM Presort Flats indicates that the Postal Service expects that, at the time full-service Intelligent Mail is implemented, 64% of eligible presorted BPM Flats will participate.
- a. Please identify and explain the preparation requirements for such mail to qualify for the reduced price.

- b. Please explain how the estimated adoption percentage was developed, and provide all supporting studies, surveys, and other analysis including the “other information” mentioned in USPS-R2009-2/4.doc at page 3.
  - c. Please explain why the specific estimated adoption percentage used in the cap calculation is appropriate. (See § 3010.23(d)).
  - d. The USPS-R2009-2/4 analysis implies that the full-service IMb BPM pieces will migrate from mail that would otherwise be sent at non-IMb automation rates. Please provide an estimate of Postal Service costs that will be avoided by BPM pieces that meet the full-service IMb preparation requirements, with all possible quantitative support.
  - e. Assuming for purposes of this question that the reduced price for full-service IMb is characterized as a worksharing discount, please discuss how the worksharing discount for Bound Printed Matter Flats full service IMb complies with the requirements of section 3622(e) of title 39.
7. Please refer to the Postal Service’s Notice at 29-31 and Appendix B.
- a. Please provide a revised copy of Appendix B which shows the avoided costs, discounts, and passthroughs for First-Class Automation Mixed AADC Letters, Automation Mixed AADC Cards, and Nonautomation Presort Letters using the accepted methodology (including the use of the BMM benchmark) as presented in Tables VII-B-2 and VII-B-3 of the 2007 ACD.
  - b. Based on the response to subpart (a), please discuss how the proposed discounts for First-Class Automation Mixed AADC Letters, Automation

Mixed AADC Cards, and Nonautomation Presort Letters comply with the worksharing requirements in section 3622(e) of title 39.

- c. Based on the response to subpart (a), for each discount in excess of the avoided cost, please identify the specific statutory exemption claimed and provide a complete explanation of how the discount satisfies that exemption.

By the Chairman

Dan G. Blair