

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

NOTICE OF PRICE ADJUSTMENT

Docket No. R2009-5

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
(September 2, 2009)

Chairman's Information Request (CHIR) No. 2 was issued on August 27, 2009. The request sought answers no later than September 2, 2009. Attached are the Postal Service's responses to the entire CHIR, Questions 1-4.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Please refer to the response to CHIR No. 1, question 1.a. and the supplemental materials entitled "FCM Incentive.xls" (filed August 14, 2009).
 - a. Please show the calculation of the projected volume response, presumably developed by applying the 2 percent growth assumption to an aggregate before-rates volume forecast. The response should show the development of the aggregate before-rates volume forecast and discount threshold, which presumably includes the calculation of each eligible mailer's Fall 2007 to Fall 2008 trends in non-parcel First-Class presort mail and the application of those trends to forecast each eligible mailer's Fall 2009 before-rates volume, which are then presumably aggregated. If the forecast was not developed this way, please provide the data described above in addition to the data underlying the Postal Service forecast. Please show all calculations, explain all assumptions, and provide sources for all inputs.
 - b. The source of the unit revenue inputs is identified as the FY 2008 CRA. However, the input values are slightly higher than the figures in that report. Please explain and provide the calculation of any adjustment to the CRA revenues that may have been applied, explaining all assumptions and providing references for all inputs.

RESPONSE:

- a. The 2009 First-Class Mail Incentive forecast was developed from the total volume trend in presort mail over the applicable periods in 2007 and 2008. The Postal Service used the total volume trend for the category between 2007 and 2008 and saw a decline of 7.25 percent year over year. We then applied the negative 7.25 percent to the 2008 volume to develop the baseline for 2009 volume. The anticipated growth rate of 2 percent was then applied to the baseline volume. The manner in which that 2 percent growth rate was split between new First-Class Mail volume, and Standard Mail volume moving up to First-Class Mail, was developed based on discussions with mail owners and Mail Service Providers.

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One of the challenges in evaluating specific customer data in the development of our volume forecast was that about 40% of the First-Class Mail presort volume captured in the Postal Service's CBCIS (data system) is comprised of aggregate volumes from Mail Service Provider's (MSP's). Thus, a lot of the mailers are indirect customers who use MSP's to do their mailings thereby precluding the Postal Service from access to these individual mailers' volume and transaction data. As a result it was not practical to build a volume forecast based on Individual customer trends.

b. The source of the unit revenue inputs provided in the "FCM Incentive.xls" file is incorrect as stated. The correct source for unit revenues is Docket No. R2009-2, USPS-R2009-2/1 (First-Class Mail), and USPS-R2009-2/2 (Standard Mail), average revenue per piece at new prices.

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2. Please describe the procedures used to adjust the discount threshold for mailers which have acquired or merged (or which are scheduled to acquire or merge) with other entities since October 1, 2007 through December 2009.

RESPONSE:

The Postal Service will work with companies that have merged, or are merging. The Postal Service is currently working with some of the identified companies. Such companies will combine their volumes to resolve such situations. The Postal Service will provide information on permits and historic data where there is substantial evidence that data or information of the impacted company is or could not be obtained by the merged company. Additionally, companies are being advised to contact their MSPs (MSPs have expressed willingness to assist their customers) to obtain invoices and other documents pertaining to customer's First-Class Mail presort data for the referenced periods.

Volumes thereby collected and collated will be aggregated for the merged company for the purpose of setting the threshold for participation of the "new" company in the First-Class Mail Incentive program.

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3. With respect to the limitations on worksharing discounts and the determination of price cap compliance, the Postal Service suggests that the Incentive is analogous to an NSA, as the incentive is an optional rate available to a limited group of mailers. Please discuss whether the rules for NSA rate adjustments might or might not be appropriately applied to proposals similar to the Incentive, and why or why not.

RESPONSE:

The Postal Service believes that for all intents and purposes, the filing documents, associated materials, and a data collection plan (such as what will be provided for this program) would satisfy the current rules surrounding NSAs.

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4. The Postal Service's discussion of the terms of eligibility to participate in the Incentive refers to "companies" at various points and "customers" at another. USPS Notice at 7-8. Please confirm that all mail owners who otherwise meet the volume minimums and follow the proper enrollment procedures are eligible. If not, please explain any limitations on the types of mailers (e.g., companies or government agencies) that are eligible to participate and the rationale for such limitations.

RESPONSE:

The words "company" and "customers" have been used interchangeably, and mean the same thing. Both terms mean qualified mailers identified in CBCIS as having mailed 500,000 or more First-Class Mail presort letter, flats and cards between October 1, 2007, and December 31, 2007, and between October 1, 2008, to December 31, 2008.

The Postal Service confirms that all mail owners who otherwise meet the volume minimums and follow the proper enrollment procedures are eligible for this program.