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

Annual Compliance Report, 2009 Docket No. ACR2009

CHAIRMAN'S INFORMATION REQUEST NO. 8

(Issued March 3, 2010)

To clarify the basis of the Postal Service's estimates in its Annual Compliance Report, filed December 29, 2009, the Commission requests the Postal Service 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 March 8, 2010.

1. The Docket No. R2009-3 Summer Sale Data Collection Report at page 2 states "The Postal Service estimates that the Summer Sale had a net impact of $24.1 million in contribution," and lead to "increased attributable costs of $48.4 million." Please provide the spreadsheet showing the calculation for both of these figures, with calculations linked to the file "Summer Sale – PRC Report v 1.xls" tab "Rebate data".

2. The Docket No. R2009-3 Summer Sale Data Collection Report states at page 2:

> The Postal Service estimates that about 61.8 percent of the incentive-eligible volume from the Summer Sale was new growth. This estimate is based on an analysis of the distribution of customer growth rates compared to the overall average using recent historical data for time periods not impacted by the sale program. This analysis revealed relatively widely dispersed growth rates around the mean, which leads the Postal Service to conclude that a sizeable proportion of the mail that earned rebates would have been sent even in the absence of the sale program.

Please provide a copy of this analysis.

3. Please provide the file “Summer Sale – PRC Report v 1.xls” tab “Rebate data” linked to the mailer data in files “Summer Sale PRC – Workbook 1.xls” and “Summer Sale PRC – Workbook 2.xls”.

4. In response to Docket No. R2009-3, CHIR No. 2, the Postal Service stated “To ensure that the application of short-run attributable costs was appropriate, the Postal Service will verify that these three assumptions were valid for the period in which the summer discounts were active.” Please provide a copy of this analysis.

5. Please refer to the demand analyses filed on January 20, 2010.

   a. Please confirm that the econometric demand equations for market dominant products do not include discount elasticities, cross-price elasticities, or share equations describing the division of workshared mail products into constituent categories.

   b. Is the model specification choice trail available that led to the decision to omit the terms described in question 5? Is so, please provide it.

   c. Does the omission of the discount and cross-price elasticities require a re-interpretation of the price effects now represented by the “own-price” elasticities in the econometric demand equations? For example, do the “own price” elasticities still reflect the specific effects of changes in each product’s own price with other postal rates and discounts held fixed?

d. Does the absence of cross-price and discount elasticities reduce the accuracy of forecasts of discount-category volumes?

e. Should the Commission regard the omission of cross-price and discount elasticities from an econometric demand equation as evidence that these elasticities are approximately zero? If so, is there economic theory and non-econometric evidence that was relied on to support an assumption that the cross-price and discount elasticities are zero?

f. Do the own-price elasticities now reflect anything more than the demand effects of changes in the general level of real postal prices? Is so, what else do they reflect?

By the Chairman.

Ruth Y. Goldway