

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

NOTICE OF PRICE ADJUSTMENT

Docket No. R2010-3

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1
(March 16, 2010)

Chairman's Information Request (CHIR) No. 1 was issued on March 9, 2010. The request sought answers no later than March 15, 2010. Attached are the Postal Service's responses to Questions 1 -3.

UNITED STATES POSTAL SERVICE

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March 16, 2010

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1. The Notice on page 6 states that the Postal Service expects the Standard Mail Incentive Program to generate between 311 million and 1.1 billion pieces of additional mail volume and to produce between in \$34 million and \$157 million in new revenue.
 - a. Please show how these estimates were developed. Please include all supporting data, assumptions, calculations, and formulae used to develop these estimates.
 - b. Please provide a breakdown of these volumes and revenues by Standard Mail product. Please include all supporting data, assumptions, calculations, and formulae used to develop these estimates.
 - c. For each eligible mailer as well as in the aggregate by product, please provide the information necessary to fill in the missing values (denoted by an "x") in the accompanying worksheet. For each figure taken from another source (e.g., RPW report), please identify the spreadsheet, tab (or sheet), and cell from which it is taken. For all figures that are calculated, use formulas in the spreadsheet so that they can be traced. For each figure based on an assumption, please explain the rationale for the assumption.

RESPONSE:

The files referenced in this response can be found in the zip file attached to this response electronically. Other files in the zip file (CHIR1_Attach_Files.zip) not specifically named support the referenced files.

1a. Please refer to the attached files *"(2010-02-14) Summer Sale 2 (using 7.07% loyalty) Links to CHIR1.xls."* The values quoted in the question are in "Summary" tab, cells C11-E11 and C15-E15.

1b. Please refer to the attached files *"(2010-02-14) Summer Sale 2 (using 7.07% loyalty).xls"* worksheet *"Inputs"* C43-C47. These inputs include the mail category proportions used in the financial analysis. Please refer to *"Att.Cost.Sum.Sal.2010.xls"* worksheet *"Summary Calculation"* which was provided to the Summer Sale program office by USPS Finance and previously filed under the original Summer Sale PRC filing.

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1c. This analysis was performed on the aggregate level, not on a per-mailer basis. Please refer to the attached files "*(2010-02-14) Summer Sale 2 (using 7.07% loyalty) Links to CHIR1.xls*" and "*CHIR 1 Q1_Resp.xls*"

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2. The Notice at page 7 states that the Postal Service finds that catalogers “view Standard and Carrier Route Flats as essentially the same product and provide approximately 40% of their volume in Standard Flats (the other 60% of their volume is in Carrier Route flats).” Please provide the source of the proportions in this statement.

RESPONSE:

The proportions were inferred based on various data sources. FY09 RPW reports that carrier route represents 56 percent of total CR and Standard Flats volume. Additional analysis from the previous Summer Sale shows that 67 percent of total Standard Flats and Carrier Route volume was carrier route. Based on these two data sources, analysis of selected customers and conversations with the catalog industry, the Postal Service concluded that carrier route volume specifically from catalog businesses is at least 60 percent.

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3. The Notice at page 8 states that the Standard Mail Incentive Program is expected to generate between \$-3.5 million and \$25.4 million in added contribution.
- a. Please provide all supporting data, calculations, and formulae used to develop these estimates by product, consistent with the supporting analyses concerning the Standard Mail Incentive Program's incremental volumes, revenues, and costs.
 - b. Please provide mailer-specific net contribution estimates from the Standard Mail Incentive Program, consistent with the mailer-specific data provided for incremental volumes, revenues, and costs.

RESPONSE:

The files referenced in this response can be found in the zip file attached to this response electronically. Other files in the zip file (CHIR1_Attach_Files.zip) not specifically named support the referenced files.

3a. Refer back to the attached file "*(2010-02-14) Summer Sale 2 (using 7.07% loyalty) Links to CHIR1.xls.*" The values quoted in the question are the contribution from the attached analysis minus program office costs.

3b. This analysis was performed on the aggregate level, not on a per-mailer basis.