

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

SIX-DAY TO FIVE-DAY CARRIER DELIVERY
AND RELATED SERVICE CHANGES, 2010

Docket No. N2010-1

INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS CARLSON,
REDIRECTED FROM WITNESS ELMORE-YALCH
DFC/USPS-T8-3
(April 20, 2010)

The United States Postal Service hereby files the institutional response of the United States Postal Service to the following interrogatory of Douglas Carlson: DFC/USPS-T8-3, filed on April 6, 2010 and redirected from witness Elmore-Yalch. In conformity with the cover sheet for the interrogatory, but not the interrogatory itself, the interrogatory number is reflected in the response as "DFC/USPS-T8-[3]".

The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

R. Andrew German
Managing Counsel, Pricing and
Product Development

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Kenneth N. Hollies
Michael T. Tidwell
Attorneys

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083; Fax -3084

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DFC/USPS-T8-[3]. Please estimate the number of letters the typical individual postal customer mails per year.

RESPONSE:

The quantitative research described in USPS-T-8 and USPS-T-9 was designed to estimate percentage changes resulting from implementation of five-day delivery. To calculate the percentage change, respondents in the business segments were asked to provide an estimate of their past 12-month volume by application and to allocate that volume across Postal Service products. They were then asked to provide a second estimate of their projected next 12-month volume by application and to allocate that volume across Post Service products. Next they were read a description of five-day delivery and asked the likelihood that five-day delivery would cause changes in mail / package volume or in how mail / packages are sent. Finally they were asked to provide an estimate of their mail volume over the next 12-month after five-day delivery is implemented. USPS-T-8 at 13.

A similar line of questions was directed at Postal Service consumers. USPS-T-8 at 25. Qualified respondents were asked to identify the applications used for personal purposes over the past 12 months. Consumer applications were limited and included payments, correspondence, documents, and packages. For each application used, respondents were asked to provide an estimate of their past 12-month volume and to allocate that volume to the four primary products consumers use: First-Class Mail, Priority Mail, Express Mail, and Parcel Post. They were then read a description of five-day delivery and asked to indicate the likelihood they would have changed how each application was sent if five-day delivery had been in place for the past 12 months. For each application where respondents said behavior might change, we asked how the past 12-month volume for that application would have been sent, by product. .

This research necessarily focuses upon respective customer segments (*id.*, ¶13), and within each segment, uses of specific Postal Service products (*id.*, ¶11). This approach relies upon the fact that the Postal Service has extensive information regarding past mailing behavior by product and class. The research for this docket

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drew respondents from known customer groups whose mailing history could be mapped to classes and products using “applications” as that term is defined in USPS-T-8 at 2. For all customer segments other than consumers, the percentage changes were applied to actual volumes the Postal Service supplied for FY2009.

The Postal Service serves an immensely complex market, with each customer segment using different products for various applications. Some customers may only mail a few pieces of Express Mail in an entire year, while the largest customers may have 20 different operating units that each use Standard Mail for distinct marketing purposes. This complexity makes estimating the change of volume that implementation of five-day delivery might trigger rather challenging. Over time, the Postal Service has learned that asking customers to provide estimates regarding their volume and then computing percentage changes in volume that can be applied to available Postal Service data on actual volume for specific products and applications generates consistent, reliable results that can be compared.

. We know from previous research that when asked to provide estimates of past volume over the course of a year and projections for the future, they are exactly that – estimates. However, we feel that calculation of a percentage change from such estimates yields a reliable and valid measure of change that can be applied to existing Postal Service volumes for forecasting. The Postal Service response to these challenges is to rely upon percentage change estimates also for consumers, just as it does with other customer segments. See, e.g., USPS-T-9, Appendix B, section (V). For these reasons, the Postal Service *does not use this kind of research to produce an estimate* of “the number of letters the typical individual postal customer mails per year.”