

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Tony L. Hammond, Vice Chairman;
Mark Acton;
Dan G. Blair;
Nanci E. Langley

Estimating Volume Changes from
Pricing Incentive Programs

Docket No. RM2010-9

Motion Requesting Adjustment to Procedural Schedule

(June 11, 2010)

I. BACKGROUND

On May 1, 2009, the Postal Service filed a Notice of Price Adjustment¹ proposing to discount incremental Standard Mail Volume for eligible mailers. On June 4, 2009, the Commission issued Order No. 219, approving the Initiative.² On February 24, 2010, the Postal Service submitted the Data Collection Report for the 2009 Standard Mail Incentive Pricing Program "Summer Sale PRC Report.zip" in response to Order 219.³ In the 2009 ACR, the Commission stated that the analysis proffered by the Postal

¹ United States Postal Service Notice of Price Adjustment. (May 1, 2009) R2009-3 Notice

² Order No. 219, Order Approving Standard Mail Volume Incentive Pricing Program. (June 4, 2009)

³ The Postal Service submitted revised data on February 26, 2010, and further revised the data in ACR2009 docket. See Docket ACR2009 Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request No. 9. (March 12, 2010)

Service in its Data Collection Report to measure incremental volume “utilizes a new method...regarding mailer response to these short term price changes.”⁴ On June 8, 2010, the Commission initiated this proceeding “to investigate methodologies for estimating volume changes due to pricing incentive programs.”⁵

II. DISCOVERY IS NEEDED TO ESTABLISH A CLEAR PROPOSAL

The R2009-3 Notice did not mention the methodology that would be used to measure contribution from the Summer Sale, only the potential increase in revenue.⁶ In response to Docket No. R2009-3 CHIR No. 2, the Postal Service stated that it would “compute incremental volumes and revenues based on the trend calculations used to establish mailer thresholds for the program. Since those trends take into account recent economic conditions and mailer behavior at current prices, they can be used as a baseline against which incremental growth can be measured.”⁷ The Postal Service has not provided a concrete, repeatable method for the evaluation of Incremental Volume for Pricing Incentive Programs for more than one mailer. The R2009-3 Data Collection Report calculated the volume growth of all participating mailers for the three months previous to the Pricing Incentive Program, and applied this growth to the Spring 2008 volumes. In Order No. 469, the Commission stated, “the Postal Service also used a variation of this approach in its development of a forward-looking estimate of anyhow volume in its 2010 summer pricing initiative.”⁸

Because the Postal Service has not proposed a consistent methodology, it is not clear what methodology the Postal Service proposes to use in the evaluation of future

⁴ 2009 ACR at 88.

⁵ Order No. 469. Notice of Proposed Rulemaking Concerning Methods to Estimate Volume Changes Caused by Pricing Incentive Programs June 8, 2010. Order at 1.

⁶ R2009-3 Notice at pp. 6-7.

⁷ Response of the United States Postal Service to Chairman’s Information Request No 2. (June 2, 2009)

⁸ Order No.469 at 6.

initiatives. The Postal Service has not stated that it intends to use the “Spring Threshold” method used in the 2009 Summer Sale data collection report or the 2010 Summer Sale proposal in the evaluation of the First-Class Mail Incentive Pricing Program (R2009-5). The Postal Service has not yet stated what, if any, method it will use to estimate incremental volume for that initiative. Without clarity on what methodology the Postal Service proposes to use in the estimation of incremental volume changes from future incentive programs, it will be unwieldy and cumbersome for interested parties to offer comments on any and all potential methods. Without a clear, focused proposal by the Postal Service, the structural process of the Initial and Reply Comment period loses much of its value. Commission Order No. 469 describes a wide variety of proposals, but it cannot clarify how the Postal Service would use the methodologies discussed in future dockets. By allowing the Postal Service to delay describing and explaining the preferred proposed methodology until its Initial Comments in this docket, parties offering ideas and arguments will have lost what little valuable chance for discussion exists.

A discovery period will allow all interested parties, including the Commission and the Postal Service, to clarify both the technical details and the theoretical benefits of the multiple proposals that currently exist in rough form as described in Order No. 469. Development of a record will allow all interested parties to understand how these methods have been developed, how they will be applied, and how accurate that application will be.

The Public Representative hereby proposes that the Commission adjust the procedural to allow for at least two rounds of discovery. With timely responses, discovery in this docket would allow for both initial and reply comments to be filed well in advance of the 2010 ACR.

III. CONCLUSION

The Public Representative respectfully submits that discovery in the instant docket would help develop a more complete and accurate record. Further, it will allow all interested parties to focus both their Initial and Reply comments on the theoretical merit, and not the technical content, of the germane proposals.

Respectfully Submitted

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