

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268B0001

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

Docket No. N2010-1

UNITED STATES POSTAL SERVICE NOTICE OF  
FILING LIBRARY REFERENCES  
USPS-LR-N2010-1/16 and USPS-LR-N2010-1/NP5  
(June 15, 2010)

In accordance with Rules 25, 26 and 31(b)(2), the United States Postal Service hereby provides notice of filing two Category 4 library references that contain material referenced in witness Whiteman's responses to NALC/USPS-T9-2-3. The materials consist of limited documentation available regarding research by the Postal Service into five-day delivery that was conducted many years ago. The library references are:

USPS-LR-N2010-1/16: Market Research Materials Responsive to NALC Interrogatories

USPS-LR-N2010-1/NP5: Unredacted Market Research Materials Responsive to NALC Interrogatories.

The interrogatory responses indicate that previous research involving five-day delivery was conducted in the 1980s, 1995 and 2001. Documents included in the library references consist of the following:

- 1) "Summary" (Summary\_bsns.pdf) from the 2001 research discussing

results of interviews with two sets of business customers. An artifact pathname to some user's hard drive was removed from this file using redaction.

2) Second document headed "Summary" from the 2001 research discussing results involving consumers. An artifact pathname to some user's hard drive was removed from this file using redaction.

3) Document bearing the date May 22, 2001 and headed "Some Findings from Individual Interviews: USPS 5-Day Operation," (2001\_Bsns\_qualitative.pdf) discussing apparently interim results after 24 interviews, including the report of a finding that customers would prefer a Saturday to a Tuesday loss of delivery.

4) "Summary Report for Focus Groups" (Summary\_Focus\_Groups\_Cons.pdf) also from 2001 reporting results from the conduct of two consumer focus groups.

5) 44-page tabular display of results from 2001 (Tabulations.pdf) which may not be final, and appears to be incomplete.

6) Document headed "Section Three, MARKETPLACE" (Marketplace\_redacted.pdf). This document is one section from a report that was prepared in 2001 by Postal Service five-day delivery team. It is marked as "Draft and Confidential" and was never finalized as a final report. It was, however, used as if it were a final document however. Other sections of the draft dealt with operations and labor issues, so they would not be responsive to the NALC interrogatories even if they could be located. The document is a marketplace assessment and analysis of the

affect of five-day delivery on volume, revenue, contribution and perception of the Postal Service and customer satisfaction and brand loyalty. The data in this report are sufficiently stale that they retain no real commercial sensitivity. However, how the analysis was undertaken is considered sensitive and it has accordingly been redacted. An unredacted version (Marketplace\_unredacted.pdf) is accordingly being filed as USPS-LR-N2010-1/NP5. An Application for Non-public Treatment of this unredacted file is attached hereto.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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## **APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NONPUBLIC TREATMENT OF MATERIALS**

In accordance with 39 C.F.R. § 3007.21 and Order No. 225,<sup>1</sup> the United States Postal Service (Postal Service) hereby applies for nonpublic treatment of certain materials filed under seal with the Commission. The materials covered by this application consist of:

1) Section Three, titled “Marketplace” a confidential draft report built upon five-day delivery market research conducted in 2001. This document is referenced by witness Whiteman’s response to NALC/USPS-T9-2-3; which does not indicate that witness Whiteman was able to locate only this part of the study; however, other parts of the study are not believed responsive to the interrogatory. A redacted version of “Marketplace” is being made available in USPS-LR-N2010-1/16, and the redactions do not diminish the value of the document for the purpose of responding fully to the interrogatories.

**(1) The rationale for claiming that the materials are nonpublic, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);**

**(3) A description of the materials claimed to be nonpublic in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are nonpublic;**

The document also contains proprietary and trade secret information discussing how the Postal Services evaluates critical marketplace factors for its products, including competitive threats and marketplace conditions. It discusses how competitors can take advantage of the absence of Saturday delivery, and strategies the Postal Service might use to counter competitors' actions. The evaluation of critical marketplace factors retains current value, which is why it can not be filed publicly.

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<sup>1</sup> PRC Order No. 225, Final Rules Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.

The redacted information provides crucial insight into the strategic planning approaches the Postal Service takes to assess marketplace opportunities and risks. Though written in 2001, the paper would provide competitors very useful insight into the way the Postal Service assesses strategic choices, evaluates competitive activities, and analyzes business conditions. The paper also indicates specific actions by which the Postal Service believes competitors would divert business from the Postal Service as a result of five-day delivery, as well as the measures the Postal Service might take to counter those competitor actions. Public disclosure of “Marketplace” analysis would allow customers to preempt Postal Service reactions expected by other firms to implementation of five-day delivery. If made public, the Postal Service expects that post-implementation changes such as volume loss for competitive and other products would be far larger than otherwise projected.

**(2) Identification, including name, phone number, and email address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;**

No third party information is implicated by USPS-LR-N2010-1/NP5.

**(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;**

If the redacted information were disclosed publicly, the Postal Service considers it eminently likely that it would suffer commercial harm. This information reflects how the Postal Service views its market and various types of its competitors. As such, the information is clearly commercially sensitive to the Postal Service and reflects insights learned over many years regarding the behavior of the complex delivery services

market. Postal Service competitors could use this strategic information to compete more successfully against all postal products, those for which close substitutes in competitive markets available and those which compete only with more distant substitutes.

**(5) At least one specific hypothetical, illustrative example of each alleged harm;**

**Identified harm:** Public disclosure of information in Library Reference USPS-LR-N2010-1/NP5 would allow competitors to use Postal Service insight into the nature of the market for postal services and pre-empt its planned responses to the arrival of five-day delivery.

**Hypothetical:** A competitor obtains a copy of the unredacted version of Library Reference USPS-LR-N2010-1/NP5. It observes how the Postal Service expects to counter market consequences from the introduction of five-day delivery and uses that proprietary information to anticipate the Postal Service's plans with marketing campaigns, sales strategies, product realignment, and other commercial tactics. This undermines the Postal Service's own market plans and leads the Postal Service to incur less cost avoidance than otherwise expected through its implementation of five-day delivery. Competitive products accordingly fail to reach the 5.5 percent minimum contribution towards institutional costs. A competitor obtains a copy of the unredacted version of the library reference and accordingly anticipates USPS counters to action in the market that it expects to see from its competitors. As a consequence, measures to limit volume loss from the introduction of five-day delivery are ineffective, thus exacerbating the pace of volume loss that the Postal Service experiences over time,

including for competitive products. Postal Service savings from implementation of five-day are diminished, thus exacerbating the economic challenges it faces. Legislative and other changes prove insufficient to maintain the current Postal Service business model, requiring subsidization by Congress of postal services so as to maintain universal service. Competitive products accordingly fail to reach the 5.5 percent minimum necessary payment towards institutional costs.

**(6) The extent of protection from public disclosure deemed to be necessary;**

The Postal Service maintains that the material not made public be protected from all business mailers, competitors, mailing and shipping service providers of any type, and all professionals such as consultants and attorneys who might have reason to advise such entities. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for competitive products should not be provided access to the nonpublic materials.

**(7) The length of time deemed necessary for the nonpublic materials to be protected from public disclosure with justification thereof; and**

The Commission's regulations provide that nonpublic materials shall lose nonpublic status after ten years. Given that nearly ten years after this "Marketplace" report was assembled certain of the information retains its acute commercial sensitivity, the Postal Service view is that the scheduled loss after ten more years of nonpublic treatment would be inappropriate. Notwithstanding, the Postal Service also recognizes that the Commission may instead expect this issue to be revisited at that time.

**(8) Any other factors or reasons relevant to support the application.**

None.

***Conclusion***

For the reasons discussed, the Postal Service asks that the Commission grant its application for nonpublic treatment of the materials appearing in USPS-LR-N2010-1/NP5, but redacted from USPS-LR-N2010-1/16.