

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

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

Docket No. N2010-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO NALC INTERROGATORIES NALC/USPS-T2-11-17, 19-21, 26, 28-30, 32-35,
REDIRECTED FROM WITNESS CORBETT
(June 23, 2010)

The United States Postal Service hereby provides its responses to the following interrogatories of NALC, filed on June 9, 2010: NALC/USPS-T2-11-17, 19-21, 26, 28-30, 32-35, redirected from witness Corbett. Each interrogatory is stated verbatim and is followed by the response. The Postal Service filed objections to questions 11-34 on June 21, 2010, and by providing responses herein to some of those questions, does not waive those objections. Pursuant to its objections, however, no responses are provided to questions 18, 22-25, 27, and 31.

UNITED STATES POSTAL SERVICE

By its attorney:

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX: -5402
June 23, 2010

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-11. Provide Revenue, Total Expenses and Net Income by year from 1972 to the second quarter of 2010.

RESPONSE:

A summary of revenue, total expenses and net income by year from 1972 to the second quarter of 2010 is provided in Tab Question 11 & 12 in the Excel file (NALC.T2.Q.11t13.15t16.20.Attach.xls) attached to this response electronically.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-12. Provide Revenue from Mail and other Postal Services, Appropriation Revenue, and total Revenue by year from 1972 to the second quarter of 2010.

RESPONSE:

A summary of revenue from mail and other postal services, appropriation revenue, and total revenue by year from 1972 to the second quarter of 2010 is provided in Tab Question 11 & 12 in the Excel file (NALC.T2.Q.11t13.15t16.20.Attach.xls) attached to this response electronically.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-13. Provide the amount of Unfunded Retirement Liabilities from 1972 to the second quarter of 2010.

RESPONSE:

The amount of Unfunded Retirement Liabilities and annual payment requirements from 1972 to 2010 are provided in Tab Question 13 in the Excel file (NALC.T2.Q.11t13.15t16.20.Attach.xls) attached to this response electronically. As a result of PAEA, the Postal Service is not required to make Supplemental Liability payments on CSRS unfunded liabilities until 2017. The principle amounts for unfunded liabilities and surpluses for 2007-2009 can be found in the Annual Reports and are summarized below.

	CSRS	FERS
2007	(\$3.1)	\$8.4
2008	(\$9.0)	\$6.5
2009	(\$9.6)	\$6.8

Surplus (Unfunded) dollars in billions.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-14. Provide the percentage of Postal Operating Revenue to GNP/GDP by year from 1972 to 2009.

RESPONSE:

To the extent that Postal Operating Revenue is defined as Revenue from Mail and Services, that yearly amount can be obtained from Tab Question 11 & 12 in the Excel file (NALC.T2.Q.11t13.15t16.20.Attach.xls) attached to this response electronically. For each year in the period requested, you can obtain the percentage of GNP/GDP which that amount represents by dividing it by either GNP or GDP, whichever you prefer.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-15. Provide Mail Volume by category from 1972 to the second quarter of 2010. Categories should include but not be limited to First Class, Priority, Express, Periodicals, International, Parcel Post or Fourth Class, Standard or Third Class, Certified, Registered, and other.

RESPONSE:

Mail volume by category from 1972 to the second quarter of 2010 is provided in Tab Question 15 in the Excel file (NALC.T2.Q.11t13.15t16.20.Attach.xls) attached to this response electronically. Also, please see the Mail Volume History from 1970-2008, which can be found as a Periodic Report on the Commission's website (see Daily Listings for July 1, 2009). Additional information regarding historical volumes can be found in RPW Reports filed as Periodic Reports with the Commission, which are also available on the Commission website.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-16. Provide the number of pieces of mail per work year from 1972 to the second quarter of 2010.

RESPONSE:

The number of pieces of mail per work year from 1972 to the second quarter of 2010 is provided in Tab Question 16 in the Excel file (NALC.T2.Q.11t13.15t16.20.Attach.xls) attached to this response electronically.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-17. Provide the amount of revenue and contribution to institutional costs for all Postal products and services from 1972 to 2010. Separate those products and services between those whose prices are subject to constraint and those in which the Postal Service has pricing flexibility. If any year is unavailable, provide data for available years.

RESPONSE:

This request seeks what amounts to a series of CRA reports. Such reports are on file with the Commission, or, if no other source can be found, are likely to be available for review in the Postal Service library. The Postal Service considers the prices of all postal services (i.e., both Market Dominant and Competitive) to be subject to constraints.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-19. Provide estimates of savings made prior to the implementation of major automation initiatives and the actual savings achieved for all capital expenditures in excess of \$500 million.

RESPONSE:

The following are estimates of the first full year of savings before and after deployment for investment projects greater than \$500m:

Postal Automated Redirection System (PARS), Phase 2
Before: \$170.4m to \$219.4m
Actual: \$216.8m

Automated Flat Sorting Machine (AFSM) 100
Before: \$550.8m
After: \$928.4m

Letter Mail Automation Study
Before: \$3,264.5m
After: \$3,922.5m

Flat Mail Automation Study
Before: \$1,074.5m
After: \$1,581.6m

Individual authorizations for other programs did not exceed \$500m, or studies to support actual cost savings do not exist. The letter mail and flat mail automation studies consolidate multiple individually-approved investments which collectively exceed \$500m. The AFSM100 investment is included in the flat mail automation study.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-20. Provide the number of delivery points by type of delivery point by year from 1972 to the second quarter of 2010. If possible break the information into categories of door delivery, rural mail boxes, centralized delivery to CBUs, centralized delivery to Apartments, Post Office Boxes and customer pick up of bulk delivery.

RESPONSE:

The number of delivery points by type of delivery point by year from 1994 to the second quarter of 2010 are provided in Tab Question 20 in the Excel file

(NALC.T2.Q.11t13.15t16.20.Attach.xls) attached to this response electronically.

Information from earlier years may be available in the PMG's Annual Report, or the Comprehensive Statement of Postal Operations. Also see the Postal Service's response to MPA/USPS-t2-8 (redirected from witness Corbett), filed on June 23, 2010.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-21. Provide the number of vehicles owned by the Postal Service by year by type including a break down by fuel and hybrid status for all years available between 1972 and 2010.

RESPONSE:

The Postal Service has been unable to locate a centralized source of such information across years. Information for individual years may be available in the PMG's Annual Report, or the Comprehensive Statement on Postal Operations.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-26. Provide estimates of the change in revenue and contribution to institutional costs for the “Summer Sale.”

RESPONSE:

Please see the FY 2009 Summer Sale Data Collection Report - Complete Report With Reformatted Data Files in Docket No. R2009-3, filed on February 26, 2010. Also, please see the following documents filed in Docket No. ACR2009-1: Response of the United States Postal Service to Question 1 of Chairman’s Information Request No. 6, filed on February 24, 2010, and Responses of the United States Postal Service to Questions 1-5 of Chairman’s Information Request No. 8, filed on March 8, 2010.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-28. Provide data comparing the Postal Service's budgeted net income, forecasted net income and actual net income by year from 1972 to the second quarter of 2010.

RESPONSE:

The requested comparison of budgeted net income and actual net income is provided in the periodic financial reports filed monthly with the Commission. The Postal Service does not maintain historical comparisons to forecast results.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-29. Provide the volume of mail that is physically pre-sorted by private sector companies. Provide two categories: mail from one mailer and mail from companies that collect mail from multiple mailers. Provide data for years available from 1972 to 2010.

RESPONSE:

The Postal Service is unaware that any such information exists.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-30. Provide any Postal Service studies or information about changes to revenue and contribution to institution costs resulting from pricing flexibility on competitive products by year from 2006 to 2010. Provide the changes made to the prices of competitive products and the date of these changes.

RESPONSE:

The Postal Service has objected to this question on the grounds of relevance, and on the grounds that much information about competitive product pricing is commercially sensitive and privileged. Without waiving those objections, the Postal Service responds that it has not conducted studies or obtained information that isolates changes to revenue or contribution resulting from the increased pricing flexibility for competitive products introduced by the PAEA. Generally applicable changes to prices for competitive products occurred on Jan. 8, 2006, May 14, 2007, May 12, 2008, and Jan. 18, 2009. Further information about those rate changes can be found in the Domestic Rate History, filed as a Periodic Report and available on the Commission's Daily Listings for July 1, 2009. Generally applicable competitive product rates also changed on January 4, 2010, and the specific rate changes implemented on that date can be found in filings that appear on the Commission's Daily Listings at November 4, 2009. If one is searching for evidence of the benefits of the increased flexibility for competitive products, however, one need look no further than the number of CP (Competitive Products) dockets appearing on the Commission website.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-32. Provide any studies paid for or made by the Postal Service regarding electronic diversion of mail between 1990 and 2010.

RESPONSE:

The Postal Service presented testimonies from the following witnesses in the following dockets, which included discussion of electronic diversion. In addition to his public rate case testimonies, Mr. Bernstein also made non-public and privileged presentations in 2001, 2007, and 2008 during interest arbitrations, but the substance of those presentations closely tracked his public testimony, and included no material elements not found therein. The testimonies of Mr. Bernstein make substantial use of the Household Diary Studies, which include information about use of the mail and use of the Internet, and the Household Diary Studies for each year are already on file with the Commission.

Tom Thress:	R2006-1	USPS-T-7 and USPS-RT-2
	R2005-1	USPS-T-7
	R2001-1	USPS-T-8
	R2000-1	USPS-T-7
	R97-1	USPS-T-7
Peter Bernstein:	R2006-1	USPS-T-8
	R2005-1	USPS-T-8
	R2001-1	USPS-T-10
George Tolley:	R2001-1	USPS-T-7
	R2000-1	USPS-T-6
	R97-1	USPS-T-6
	R94-1	USPS-T-2
	R90-1	USPS-T-2

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

For materials prepared by BCG, please see the Postal Service's response to NALC/USPS-T2-5 (redirected from witness Corbett), filed in this proceeding on June 8, 2010.

Other material, consisting of Mail Moment research, as well as research conducted by Forrester, will be filed separately. A redacted public version will be filed as USPS-LR-N2010-1/17, and a nonpublic version will be filed as USPS-LR-N2010-1/NP6.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-33. Provide any studies of the reasons for customers to switch to electronic communication and bill paying from use of the mail made between 1990 and 2010.

RESPONSE:

Information related to this request is included within what is being provided in the Postal Service's response to NALC/USPS-T2-32 (redirected from witness Corbett). It perhaps also bears noting that a major contribution to this type of analysis came from the testimony of Prof. Spulber in Docket No. R94-1, who testified not on behalf of the Postal Service, but for a consortium of mailer organizations. See Docket no. R94-1, Rebuttal Testimony of Daniel F. Spulber, AMMA et. al.-RT-2. Other comments on diversion were offered by J. Gregory Sidak (NAA-RT-1) in Docket No. R2006-1, and market research testimony was provided in the same docket by GCA witness Martin (GCA-T-2).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-34. Provide cost estimates to customers comparing the use of the mail with electronic communication, bill paying, and bill presentment.

RESPONSE:

The Postal Service does not maintain a specific and comprehensive set of cost estimates comparing what it costs customers to use the mail versus using electronic alternatives for communication, bill paying, or bill presentment. It seems fairly obvious that the range of costs, both for customer use of the mail, and for customer use of electronic alternatives, would be substantial, depending on individual circumstances over the entire spectrum of postal customers (and former postal customers). Moreover, those estimates would likely be changing considerably over time, as technology (both postal and alternative) evolves rapidly. It is our understanding, though, that it costs substantially more to mail communications, bills or payments than it does to send them electronically. This is true whether the sender is a business or an individual. The information the Postal Service has on this general topic, however, is included within what is being provided in the Postal Service's response to NALC/USPS-T2-32 and 33 (redirected from witness Corbett). One exception is an estimate provided by a consultant earlier this year, who estimated that blended costs across all hardcopy consumer bills average 85 cents per bill, with high volume billers averaging less, about 50 cents per bill. For E-bills specifically, however, the average is 52 cents per bill across all industries, and 31 cents per bill for high volume targets.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO NALC
INTERROGATORIES, REDIRECTED FROM WITNESS CORBETT**

NALC/USPS-T2-35. Provide the basis, including any calculations and assumptions, for your estimate of \$110 million in implementation costs in 2011, as set forth on page 16 of your testimony.

RESPONSE:

Please see the Postal Service's response to DFC/USPS-T2-1, redirected from the witness Corbett, filed on April 15, 2010.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX: -5402
June 23, 2010