

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

NOTICE OF RULEMAKING

Docket No. RM2010-9

RESPONSE OF THE UNITED STATES POSTAL SERVICE IN OPPOSITION  
TO THE PUBLIC REPRESENTATIVE'S MOTION FOR ISSUANCE OF INFORMATION  
REQUEST AND ADJUSTMENT TO PROCEDURAL SCHEDULE  
(August 3, 2010)

On June 23, 2010, the Public Representative filed a motion pursuant to Commission Rules 3007.3 and 3001.21 requesting that the Commission direct the Postal Service to respond to several questions related to its methodology for volume incentive programs and to postpone the deadline for reply comments until 14 days after the Postal Service files its data collection report in Docket No. R2009-5. The Postal Service hereby opposes the Motion because any response that it could provide to the questions attached to the Motion would not be particularly helpful in establishing a "robust record." Moreover, the data collection plan in Docket No. R2009-5 has already been filed with the Commission, rendering the request to adjust the schedule moot.<sup>1</sup>

The Public Representative has posed a series of questions which seek to determine the Postal Service's perspective on how volume growth before the incentive period should be calculated, what methodology should be utilized to calculate the "dispersion of customer growth rates around the market average", the cost that should be applied in its proposed method, an empirical method to estimate short-run

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<sup>1</sup> Docket No. RM2010-9 Public Representative Motion for Issuance of Information Request and Adjustment to Procedural Schedule, July 23, 2010 at 1. Docket No. R2009-5 First-Class Mail Incentive Program Data Collection Report, July 26, 2010 and First-Class Mail Incentive Program Data Collection Report - Revised Excel Data Files, July 29, 2010.

attributable costs, and the details surrounding its proposal to use an adjustment for growth outside of the incentive period.<sup>2</sup> In Order 469, the Commission asked for comments on its elasticity-based approach, the Postal Service's market-historical approach, and the Public Representative's variation on the Postal Service's approach, which relies on individual mailer history. The Postal Service evaluated each of the methodologies above, as ordered, and made it clear that each of the methods above is flawed in some way and none of the three may produce reliable estimates of contribution change as a result of the incentive programs.

While of the three methods considered above the Postal Service still would prefer its own methodology, the only way some of these technical flaws can be addressed is through a great deal of research and data from the incentive programs themselves. However, the impossible task of trying to construct an alternate version of past events i.e. "what-if scenarios", which frankly will never be known or testable, still remains.<sup>3</sup> As a result, any response that the Postal Service could offer would be unhelpful. For example, the Postal Service's response to question 1a would be that it will use the methodology applied in Docket No. R2009-3 until it establishes a better method. The Postal Service has not used the market segment data to evaluate market segment specific elasticity per question 4 and it doesn't know whether it intends to offer more targeted Pricing Incentive Programs in the future per question 6. Further, the Public Representative's conclusions in parts of question 1 and question 3 are mistaken based on an apparent misunderstanding of the conceptual basis of the Postal Service'

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<sup>2</sup> Docket No. RM2010-9 Public Representative Motion for Issuance of Information Request and Adjustment to Procedural Schedule, July 23, 2010 at 2-4.

<sup>3</sup> Docket No. RM2010-9 Initial Comments of the United States Postal Service Concerning Methods to Estimate Volume Changes Caused by Pricing Incentive Programs, July 16, 2010 at 9.

analysis. The only questions the Postal Service could reasonably respond to would be the data related requests, and if those data are used solely to support new versions of the same flawed analyses, the results cannot be expected to be reliable or useful.

The Motion should also be denied because the Postal Service filed its data collection reports in Docket No. R2009-5 on July 26, 2010 and July 29, 2010. Thus, information sought from those reports has been filed with the Commission and is not an impediment to reply comments being filed in this matter by August 16, 2010.

Accordingly, the Postal Service respectfully requests that the Commission deny the Public Representative's Motion.

UNITED STATES POSTAL SERVICE

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August 3, 2010