

Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Rate Adjustment Due to Extraordinary
Or Exceptional Circumstances : Docket No. R2010-4

GREETING CARD ASSOCIATION SUBMISSION OF
SUGGESTED QUESTIONS FOR PUBLIC HEARING

Pursuant to § 3010.65(c) of the Rules of Practice and Order No. 485, the Greeting Card Association (GCA) hereby submits the following suggested questions for the August 10-12, 2010, public hearings in this Docket.

GCA's submission is in two parts. The first part, containing questions addressed to the three Postal Service witnesses and to the Service itself, comprises questions we believe could be posed and for the most part answered at the hearing. Where a question, or part of one, might require a subsequent written response for the record, we have reflected that possibility in the form of the suggested question. In each of the four subparts, we have included at the beginning a brief summary of our rationale for proposing the questions that follow and a suggested order of priority for them.

The suggested questions in the second part are more technical and presumably would require more time to answer. GCA respectfully suggests that they be considered for an Information Requests, perhaps issued at or before the hearings.

August 5, 2010

Respectfully submitted,

GREETING CARD ASSOCIATION

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PART I

Suggested Questions – Docket No. R2010-4

For Postal Service Witness Masse: Summary of Rationale for Questions and Order of Priority

There are a number of statements or assertions made by witness Masse about labor cost savings in recent years. Questions 2 and 3 (medium priority) are intended to clarify for the Commission and render on a consistent basis what all these sometimes overlapping numbers mean, and how the work-hour savings or career employee (or other) labor savings are broken down by craft. Since USPS emphasizes that the proposed exigent rate increase is part of a comprehensive plan over the next several years to remain viable, another question is intended to compare the test year volumes BR and AR in this case with those provided by the Boston Consulting Group over a longer period that nonetheless includes the test year in this case. Question 1 (lower priority). Finally, a question is asked to explore the Postal Service's assertion that its delivery network has a high level of fixed costs. Question 4 (higher priority).

1. How do the BY and TY volumes in R2010-4 “based on information available in early April 2010” (Statement of Stephen J. Masse, page 9, line 14) (hereafter “Masse statement”) compare with those volumes predicted by the Boston Consulting Group (BCG) “Final Report” study published on March 2, 2010?

Material to be provided for the record if not available at hearing:

- a. Volumes by major class and subclass on page 8 of the BCG Final Report for the test year in this rate case. Also refer to pages 10, 11 and 12 in that study in your breakdown of volume estimates.

- b. If the volume estimates differ between the BCG analysis and the econometric demand model used in this rate case, please provide a full explanation of why your rate case volume test year estimates differ from the BCG estimates for each difference.
2. You refer to a “reduction of over 21,500 career employees during FY 2008” in response to “significant losses of mail volume”, and state that these reductions were the result of management accelerating cost reduction efforts. (Page 4, lines 13-15.) Is the 21,500 the result of attrition or voluntary retirement (VERA), or employees actually cut beyond attrition and VERA?

Material to be provided for the record if not available at hearing:

- a. If the answer is a percentage of both or several factors, please provide the Commission with a break out of the numbers by factor for the record.
 - b. If these were career employee cuts, please provide the Commission for the record with a breakdown of the number cut by craft, and please state whether these crafts and the employees actually cut were subject to collective bargaining agreements containing “no layoff” clauses.
3. On page 5 of your Statement, lines 16-17, you state that the Postal Service eliminated 115 million workhours in FY 2009 in response to the recession, “the equivalent of 65,000 full-time equivalent employees.”

- a. Were any of these workhours saved the result of further reductions in career employees beyond the 21,500 in FY 2008? If so, please provide to the Commission for the record:
 - i. The percentage of those reductions which were from attrition, or VERA, or a reduction in workhours for retained employees; and
 - ii. The percentage of the total hours saved from those employee reductions, breaking them down by craft and collective bargaining agreement.

 - b. If your answer to the previous question is "no," please tell us whether those workhours are net of the 66 million overtime hours of postal employees in FY2009 reported in the National Payroll Hours Summary Report.
4. On page 6, lines 2-4, of your Statement, the statement is made that with volume declines, "it is impossible for the Postal Service to reduce its costs commensurately because of the high level of fixed costs associated with the massive delivery network." The Commission would like to know more detail about these fixed delivery costs.
- a. What is the dollar level of those "fixed costs" in the delivery network that are labor costs, and what is the dollar level of other fixed delivery costs, broken down by type, e.g. vehicle physical wear and tear? *(This may be supplied for the record if not available now.)*

- b. For those fixed delivery network costs that are labor costs, please explain fully why these are fixed, and not variable costs. In particular, the Commission would be interested to know –
 - i. Why labor costs cannot be cut by reconfiguring the route structure so as to eliminate excess capacity in the delivery network caused by falling volumes, and
 - ii. Why labor costs cannot be cut by re-opening labor contracts as other network industries have done during the recession.

For Postal Service Witness Corbett: Summary of Rationale for Questions and Order of Priority

We continue to probe the issue of labor savings and source by craft as detailed above for witness Masse. (Questions 7 and 8) (medium priority). Two questions are asked which go to the language in PAEA concerning efficient management as a condition of an exigent rate request. (Questions 5 and 6) (medium priority). Several questions go to the issue of past recessions and postal volume and rate changes as an exigent circumstance since the latest recession arguably resembles many of the pre-1935 U. S. recessions more than it resembles those referred to by witness Corbett as “modern American postal history.” The reasons for this will take years to understand, but an intuitive reason is that Keynesian and other national government anti-cyclical fiscal and monetary policies may no longer work as well in a globally-linked world economy without coordination of different national stabilization policies (compare the pre-Keynesian U. S. national policy environment before the 1930s). This data to the extent available may well be critically important in this precedent-setting case, which will have to examine very carefully and thoroughly what the scope of an exigent circumstance is.

(Questions 11-13, 15 and 16) (higher priority). It would be helpful, or perhaps essential, to the Commission's decisionmaking to clarify witness Corbett's statement as to whether the volume decline per se or the recession precipitating a large volume decline is the immediate definition of the exigent circumstance in this case. (Question 14) (higher priority). There is also a question for some postal products below cost as to whether that is a distinct exigent condition. (Question 17) (lower priority). There is a question pertaining to what the CPI measures insofar as COLAs have traditionally impacted most USPS labor costs, as the witness appears to find a problem with a lower CPI in regard to higher CPIs. (Question 10) (lower priority). Finally, there is a question of wording clarification as to what "net increase in annual contribution" means. (Question 18) (lower priority).

5. Please refer to page 6 of the Statement of Joseph Corbett (hereafter "Corbett Statement"), lines 10-11. Why was it that the Postal Service "continued to invest in automation" when there was substantial, and growing, mail processing overcapacity in automation equipment and facilities?

6. On page 6 of the Corbett Statement, lines 17-18, you state that the Postal Service "realized eight straight years of productivity gains." Can you tell us, or provide for the Commission's record in this case:

- a. The labor productivity as well as TFP change for the Postal Service year by year over the stated period 2000-2009, including the last two years of negative productivity growth; and
- b. Average annual labor productivity changes (and TFP changes if available) over 2000-2009 for U. S. manufacturing, for the communications sector overall, and for the transportation sector overall.

7. Please refer to page 6, lines 14-15, of your Statement. Can you tell us, or provide for the record in this case:

- a. A breakdown by year, craft, and employee classification (e.g. full time regular city carrier) of the 175,000 workforce reductions for 2000-2009; and
 - b. For the breakdowns in part a., whether the workforce reductions were from natural attrition, VERA, lay-offs, or other reasons.

- 8. On page 6, line 17, of your Statement, are the 379 million workhours saved between from 2000 – 2009:
 - a. Just from the 175,000 workforce reductions noted above?

 - b. In addition to the 175,000 workforce reductions, or partly so (and if so, please provide a break down by source of hours saved for the Commission’s record)?

 - c. Inclusive of the “full-time-equivalent employees of 65,000” noted on page 5, lines 3-4?

- 9. Referencing the comment made on page 9, line 23 of the Corbett statement, would it not be true that temporary or permanent legislative approval for a reduction in the pre-funding requirement of retiree health care, such as that approved in 2009, by the end of this fiscal year would have a more immediate and substantially larger effect in reducing the Postal Service’s deficits than the exigent rate increases proposed in R2010-4?

- 10. Referencing the statement made on page 10, line 18 through page 11, line 5 of your Statement, we would like you to confirm the following statements, or explain why you cannot do so:
 - a. The CPI-U is a measurement of changes in the cost-of-living for urban area populations.

b. In relation to a higher change in the CPI-U, a lower change in CPI-U reflects a smaller increase in the urban-cost-of-living, or a reduction in the urban cost-of-living in the case of a negative change in CPI-U.

d. The 0.578% CPI-U rise in the cost-of-living since the last Market Dominant price adjustment in May of 2009 means that the urban cost-of-living has increased substantially less over that time period than it increased in FY2008 (2.9%) or FY2009 (3.8%), allowing for the fact that there may be a difference between the timing of increases in the cost of living for postal employees and when such employees are compensated for the increase.

11. Referencing page 11, lines 7-8, of your Statement, can you obtain all annual and/or quarterly, and/or monthly U. S. postal volumes before the period referred to in the Statement as “modern American postal history,” (but not before 1857). If these data are available in whole or in part, please provide them for the record in this case, and also direct the Commission as to where they might in addition be found in federal government statistics.

12. By how much did the Postal Service or its predecessor Cabinet department raise rates during or immediately after the recessions commencing with:

- a. August 1929
- b. January 1910
- c. January 1913
- d. September 1902
- e. November 1973
- f. July 1981

13. Please refer to page 12, lines 8-13, of your Statement. Please provide for the Commission’s record in this case the postal volume declines

using NBER dating Peak to Trough. In the case of the recession which NBER dates from December 2007 (Peak), please use three different estimates of the trough: June 2009, October 2009, December 2009.

14. On page 12, lines 1-20, of your Statement, the word recession is synonymous with peak to trough mail volumes, not macroeconomic indices of peak to trough. In other Statements in the Postal Service's filing in R2010-4 also, it appears to be the decline in mail volume that is put forward as the exigent circumstance, not the recession per se. In other places, such as the Corbett Statement on page 12, line 22 – page 15, line 2, it appears that this recession (driving volume declines) is considered to be the exigent circumstance. Please clarify what the Postal Service views as "exigent" in this case.

15. On page 13, lines 2-4, of your Statement, it is noted that the 3 year decline in postal volumes begins "following 2006", which was in fact the last peak in mail volumes. However, NBER dating of the macroeconomic peak is December 2007, which means the macroeconomic recession began a full year after the "mail recession." We have several questions on this point.

- a. If mail volume trends are a leading indicator of macroeconomic behavior, or have been in the past, please provide for the Commission's record in this case all studies done by the USPS or on behalf of the USPS on this question, or describe fully the Service's institutional knowledge of such a relationship.
- b. If you view the severity or this recession, e.g. its depth and length as the exigency, or the cause of the volume exigency, please explain how you can view the drop in mail volume before the NBER dating of the recession's start in January of 2008 fol-

lowing the peak of December 2007, as being part of the exigent circumstance of relevance to this case.

16. On page 15 lines 3-5 of your Statement, you observe that the housing bubble, the credit crisis and a decline in advertising were “specific circumstances” (“[a]side from the general recession”) that caused the recent decline in mail volume.

- a. Would you agree that economic research on business cycles shows conclusively that all recessions have aspects in common (such as the behavior of certain macroeconomic indicators like employment) as well as specific or even unique aspects or causes (such as double digit inflation in the late 1970s and early 1980s leading to a slowdown in the growth of the money supply)?
- c. Wouldn't you agree that the decline in advertising, and advertising mail as well, was a consequence of and indeed part of the measured “general recession,” and not a separate, or separately-caused, phenomenon?
- d. Are you stating that the impact of the housing bubble and/or the credit crisis are separable and quantifiable causes of the drop in mail volume that can be distinguished from the drop in mail volume caused by the “general recession”, or are they part of the measured “general recession”?
- e. Since housing sales and housing starts have been subject to boom and bust cycles in the past, how can that circumstance be viewed as extraordinary or exceptional in this current situation?

f. Since credit cycles and financial panics have also happened with marked regularity in the past, how can such circumstances be viewed as extraordinary or exceptional in this current situation?

17. Referencing the argument on page 17 of your Statement, line 17, through page 18, line 7: do you view the fact that some postal “products are below cost” as being an exigent circumstance justifying or partly justifying “the need for a price increase?”

For the postal products that are below cost, please provide for the Commission’s record in this case an indication, by product, of whether they have been below costs in past years and a list of the products and the years they have been below costs since 1970.

18. On page 19 lines 8-9 of your Statement, \$3 billion is listed as the test year “net increase in annual contribution expected from the proposed exigent prices.”

- a. What does the word “net” refer to in this statement?
- b. Is \$3 billion also the expected net increase in USPS revenues, ceteris paribus, in this case? If it is not, please state what the expected net increase in revenues is in this case.

For Postal Service Witness Kiefer: Summary of Rationale for Questions and Order of Priority

There are a number of issues raised with respect to worksharing discounts in First Class, and with respect to assertions about differences between such Pre-sort mail and single piece mail. One outstanding legal question is whether the PAEA language clearly envisages the incremental approach to assessing whether discounts are below costs avoided or whether it includes the total approach to measurement of passthroughs. (Question 20) (higher priority). A number of as-

sertions are made by witness Kiefer about the magnitude of changes in rates or discounts that would lead worksharing mailers to abandon mail altogether and opt for electronic products instead. These statements arguably deviate substantially as to what profit-maximizing behavior by mailers, a standard tenet of microeconomics, entails insofar as the issues of exit or entry are concerned. A statement in the July 10th report of the USPS OIG on worksharing discounts states that FY2005 discounts approximated \$15 billion while the costs to mailers of doing that work was about \$4.3 billion. These numbers can be used to shed light on the issues of entry and exit by mailers and threshold levels of exit into electronic substitutes, issues that are critically important for the Commission in this case. (Questions 25-27) (higher priority). Another set of assertions relates to certain relationships between single piece mailers and worksharing mailers in First Class, the behavior of large mailers versus individual consumers, and the issue of diversion. These unsettled issues do require further clarification and explanation. (Questions 23-24) (higher priority). In light of the fact that CPI-U inflation was a negative 0.4 percent in calendar 2009 and only 0.1% through the first half of 2010 (and negative the past three months), a real question in this case is whether mailers can afford or pass through higher mailing costs given the continuing and unabated pressures on most prices. (Question 19) (medium priority). What is meant by “full coverage” for underwater postal products and the time to achieve that goal are unanswered by witness Kiefer but bear on the decisions the Commission must make in this case. (Question 21) (lower priority). Finally, the issue of the flexibility of USPS to cut delivery costs is further examined. (Question 22) (lower Priority).

19. Your Statement (hereafter cited “Kiefer Statement”) notes that “some large-volume segments of our customer base have been hit particularly hard” (page 4, lines 11-12) and that “certain important postal customer segments have been affected by factors unique to their particular industries (for example, banking and finance, retail sales and advertising).” (Page 4, lines 19-22.)

- a. In its rate increase proposal averaging 5.6%, did the Postal Service consider whether the mailers noted above had the ability to absorb a 5.6% increase in mailing costs? If it did, then, more specifically, did it investigate the trend of price changes or cost changes in these businesses?
- b. If this investigation was not made, please explain why not.
- c. Please provide for the Commission's record in this case all business data such as price trends for the mailers and industries noted above used in making the decision to raise postal rates.

20. We have some questions on the subject of worksharing discounts and their relationship to avoided cost.

- a. In this rate case, did you eliminate all instances cited in the Commission's 2009 ACR Determination where worksharing discounts exceeded costs avoided and the Commission ordered the Postal service to set the discounts at no more than 100% of costs avoided for thirteen of the thirty? Please answer by product, as stated by the Commission's 2009ACR Determination.
- b. For those products for which you did not follow the Commission's Determination, please provide for the Commission's record the test year revenue loss associated with your decision.
- c. Please (i) state what if any language in PAEA pertaining to discounts not exceeding costs avoided requires use of the incremental approach (and only the incremental approach) to determining pass-through percentages such as your Appendix B utilizes, and (ii) provide for the Commission's record the passthroughs for First Class Mail letters and postcards that appear on the first two pages of your

Appendix B. utilizing the total discount rather than incremental discount method.

21. Your statement uses the phrase “full coverage,” and we have questions about its meaning.
- a. On page 7, lines 14-15, of your Statement, what is meant by the phrase “gradually move to full coverage?” What length of time is contemplated?
 - b. By “full coverage” do you mean the system wide average cost coverage, 100%, or some other figure
22. For the Commission’s record in this case, please provide the annual level of institutional costs for the Postal Service since postal reorganization in 1971, and the percentage of each year’s institutional costs that are labor costs.
23. In light of the assertion in your Statement to the effect that the “driving force behind” Internet diversion of single piece mail is the “large business mailer”, please confirm that the Postal Service’s own estimates indicate that diversion of single piece mail began in 1988 whereas diversion by large business mailers (i.e. First Class Presort Mail) did not begin until 2002. (See USPS institutional response to GCA interrogatory GCA/USPS-T2-2 in Docket N2010-1.)
- 24.
- a. Comments are made about First Class Mail generally on page 13 of your Statement, to the effect that “the Postal Service cannot afford to drive mail out of the system by increasing prices too much”

(page 13, lines 10-12). Please confirm that this statement applies to all letters and cards in First Class.

b. On the same page, you state that “[l]arge customers affect large volumes of mail.” With regard to First-Class transactional mail – bills and bill payments, particularly – would it not be true that a major part of the large volumes of mail affected would consist of Single-Piece Letters?

c. In fn. 11 on the same page, you give volume decline statistics for First-Class Mail containing advertising, in connection with your statement that some factors may be addressed in part by pricing (page 13, lines 8-9). We note that the volume declines cited in the footnote are for the period FY 2002 to FY 2009. Can you tell us, or supply for the record if you do not have the data available now, what the corresponding percentage declines were for the periods FY 2007 to FY 2009 and FY 2008 to FY 2009?

25. On pages 13-20 of your statement the argument is made that individual consumers do not care about the price of the single piece stamp whereas large customers may leave the postal system altogether if Presort prices rise too much. As stated on page 18, lines 16-17 of that Statement “If this price goes up substantially (because discounts are reduced) the decision to mail at all may be reconsidered.”

a. Would you not agree that it is standard economics that private sector businesses do not make exit or entry decisions based on price, but rather do so based on profit-maximizing behavior?

b. Please confirm that the July 12, 2010 USPS OIG Report Assessment of Worksharing (RARC-WP-10-005) found, on pages 10-

11, that private sector mailers engaged in worksharing activities (mail processing and transportation) received discounts approximating \$15 billion in FY2008 for work which cost them about \$4.3 billion.

c. Assuming that 50% of the gross discounts are passed on to the customers of worksharing mailers and that costs includes the cost of capital, please confirm using the data from b. above that the 2008 profit on worksharing would amount to \$3.2 billion, or % return on all costs (and a higher rate of return on capital).

26. Continuing with the same example, assume that the same volume and scope of work conducted through the mail by worksharing mailers could be done for \$3 billion by switching from hard copy mail to Internet based communications.

a. Please confirm that the cost of the electronic mail to worksharing mailers would be \$1.3 billion less than the cost of producing hard copy mail.

b. Please confirm as a matter of profit-maximizing behavior characteristically assumed in economics that despite the lower cost of the electronic alternative to worksharing mail, worksharing mailers would only abandon hard copy mail if the revenue they received from the electronic alternative was greater than \$5.2 billion, the amount which would generate approximately the same rate of return (74%) as worksharing mail.

28. Now assume from the example we have been using in the last few questions that the competitive business of electronic communications generates a rate of return that is the competitive norm in manufacturing plus 10 percent,

which is to say, 25 percent. Revenue for the worksharing mailers who switched from postal to Internet based communications would be \$3.75 billion. (\$3.75 b. - \$3 b. = \$.075 b. / \$3 b. = 25 percent.)

a. Please confirm in this example that worksharing discounts would have to be cut by 28.3% below \$15 billion to make profit-maximizing worksharing mailers indifferent between hard copy mail and electronic communications.

b. Please confirm that despite the lower costs of Internet-based communications, profit-maximizing worksharing mailers would not switch from mail to the Internet if discounts were reduced by 20 percent.

Questions for the Postal Service, based on the Postal Service Request: Summary of Rationale for Questions and Order of Priority

The Postal Service in its Request does not mention its proposed one cent increase in the extra-ounce price for First Class Single-Piece letters or justify the disparate treatment between this and workshared letters, which receive no extra ounce rate increase. (Question 33) (higher priority). The proposed rate increase is justified in part as part of a broader range of measures, but there are other “short run” measures that could impact USPS deficits more, such as dealing with the pre-funding requirement under PAEA for retiree health care. (Question 32) (higher priority). In view of the USPS justification of the proposed 5.6% rate increase request in part because it has not proposed a rate increase in almost two years, it seems significant to explore the fact that rate increases under the PRA typically were multi-year in character and under very different conditions in changes in the cost-of-living. (Question 30) (medium priority). Finally, the issues addressed in general rate cases without a price cap under the PRA appear very similar to the issues in this rate case, though they must be litigated in much less time. (Question 29) (lower priority).

29. The following questions are based on the “Exigent Request of the United States Postal Service” (hereafter “Request”) in this Docket, and particularly the section headed “Structure of the Request.” Where the question asks for confirmation of a stated proposition, please explain any answer which does not confirm it.

a. Please confirm that the magnitude of the request (5.6% average increase) bears no relationship to the PAEA price cap of 0.578%.

b. Please confirm that the exigent price increases differ by class.

c. Please confirm that the request includes both minor and substantial classification changes,

d. Please confirm that cost coverages reflected in the rates have been based on the full range of statutory considerations listed in 39 U.S.C. §§ 3622(b) and 3622(c).

e. Considered apart from the level of supporting detail and the degree of procedural formality available under 39 U.S.C. § 3622(d)(1)(E), would the Postal Service agree that the substantive issues presented in this Docket are comparable in scope and complexity? Please explain the reasons for the answer provided.

30. On page 5 the Request defends the magnitude of the percentage rate increase by comparison with recent annual price cap increases on the grounds that it covers more than one year. Please provide for the Commission’s record the number of years between general rate increases under the Postal Reorganization Act.

31. Please confirm that the CPI-based percentages cited on page 5 of the Request, 3.8%, 2.9% and 0.578%, are “so low” in the case of the latter because changes in the cost-of-living differed between 2008, 2009 and 2010, and for no other reason.

32. On page 7 of the Request, “the adjusted results” for “legislative changes” are described as comparing recent deficits on the same terms, namely a net income of \$1.7 billion in FY2007, and net losses of \$2.8 for FY2008 and \$7.8 billion for FY2009. For the record in this case, please (i) confirm that there is a different legislative treatment for pre-funding retiree health care costs as between the FY2008 and FY 2009 numbers, and (ii) state by how much the results would differ if calculated under the same legislative language for both years and without the legislative language adopted at the end of FY2008 to reduce those pre-funding obligations one time.

33. (a) The proposed rates include a one-cent increase in the additional-ounce rate for Single-Piece First Class Letters, and no increase in the additional-ounce rate for Presorted First Class Letters. What is the rationale for the disparate treatment of additional ounces as between these two products?

(b) Please state, or supply for the record if the figures are not available now, both (i) the dollar amount of additional revenue that would be produced if the one-cent increase in the additional-ounce rate were also applied to Presort, and (ii) the dollar loss of revenue that would ensue from forgoing the one-cent increase for Single-Piece.

PART II – TECHNICAL QUESTIONS

1. Please refer to Revenue_and_Volume_Forecasting_Materials_Public__USPS-R2010-4_8 file.
 - a. Please provide an updated sources-of-change in mail volume Excel file similar to the one provided in Docket N2010-1, in response to the interrogatories of GCA, filed on May 3, 2010: GCA/USPS-T2-1-2, redirected from witness Corbett. Please extend back sources of change as far as the data allows rather starting at 1996.
 - b. Please state whether the decline in mail volume due to the macroeconomic factors includes the portion of the internet diversion which is due to recession or that portion is captured only in the internet diversion.
 - c. Please provide that portion of decline in mail volume due to the internet diversion which is due to the effect of recession for all mail categories and overall.
2. Please refer to "Masse Stmt Attachment 1 to 12.xls" file.
 - a. Please refer to his attachment 10, FY2011 Before Rates data. The volume reported in that table is 174,316 million pieces with the corresponding attributable cost of \$74,805 million. What would have been the attributable cost if the volume had been, for example, 5% higher, that is, if it were 183,032 million pieces with the same mail mix?
 - b. Would the percentage change in attributable cost for a 5% change in volume with the same mail mix been different if it were FY2011 After Rates

data reported in Masse's Attachment 11? If yes, then what would have been the percentage change in attributable cost?

3. Please refer to the "Masse Stmt Attachment 1 to 12.xls" file, Attachment 10 and "Public Cost and Revenue Analysis Fiscal Year 2009."

a. Please confirm that the data in the following table are correct. If not please provide the correct data.

	Volume (millions)	Attributable Cost (millions)
FY2009	177,519	\$71,912
FY2011 Before Rates	174,316	\$74,805
% Change	-1.80%	4.02%
FY2009	177,519	\$71,912
FY2011 After Rates	172,988	\$74,524
% Change	-2.55%	3.63%

b. Please provide a detailed explanation why, while the volume has dropped by 1.80%, the attributable cost has increased by 4.02% when comparing FY2011 Before Rates with the FY2009?

c. Please provide a detailed explanation why, while the volume has dropped by 2.55%, the attributable cost has increased by 3.63% when comparing FY2011 After Rates with the FY2009?

d. Please provide a detailed explanation of what cost differences between Before Rates and After Rates could explain a 1.8% drop in volume leading to a 4.02% increase in attributable cost whereas a larger drop (2.55%) in volume is shown leading to a smaller increase in attributable cost (3.63%), correspondingly.