

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 REQUESTING TECHNICAL CONFERENCE
(September 17, 2010)

On September 10, 2010, the Public Representative filed a motion pursuant to Commission Rule 3001.21 requesting a technical conference to clarify and rectify “the calculation methods the Postal Service uses in estimating the incremental contribution effect of a Pricing Incentive Program.” The Public Representative asserts that the Postal Service declined to answer two questions and erroneously answered another. It is apparent that the Public Representative believes that there exists additional data useful in evaluating these “calculation methods.” While the Public Representative may not agree with the Postal Service’s responses, the Postal Service has transparently answered all of the Public Representative’s questions based on the information available to it. The Public Representative’s failure to agree with the Postal Service’s responses is not a sufficient reason to hold a technical conference as the responses will not change. Thus, the Postal Service objects to this motion.

The conceptual framework supporting the Postal Service’s analysis is straightforward. In any given period, there will be differences in growth rates between mailers. The distribution of those differences around the mean should be relatively stable over time, but there is no reason to believe that any individual customer should

have a growth rate that consistently diverges in the same direction from the mean. Nevertheless, a reasonable guide to current market performance can be found through an examination of historical distributions.

The Postal Service has done its best to employ this framework with practical data that have some serious limitations—the same limitations that make time-series econometric analysis infeasible at this time.¹ If the Public Representative wants to poke holes in this construct, the Postal Service will almost certainly never be able to respond to these requests to the Public Representative's satisfaction. Frankly, the Postal Service is mystified by the sheer amount of analytical muscle (evidently unguided by an overarching conceptual approach) the Public Representative apparently believes is necessary to wield what can only be, given the state of the data, a small weapon.²

If, on the other hand, the Public Representative wishes to present an alternative proposal, the Postal Service welcomes the opportunity to consider another methodology. The appropriate place for such a proposal, however, is not in a technical conference, but in the Public Representative's comments, where interested parties can analyze and evaluate its merits.

Accordingly, the Postal Service opposes the Public Representative's motion for a technical conference in this docket as it would not be particularly useful in evaluating the most appropriate calculation method to estimate the incremental contribution effect of a Pricing Incentive Program nor is it necessary.

¹ The Postal Service assumes this is the contrast the Public Representative is trying to draw by characterizing the Postal Service's approach as "non-empirical."

² Crucially, even if the idea that expending this much time and effort on this subject is accepted, a technical conference is unlikely to prove useful to the Public Representative (or anyone else) because a Postal Service official sitting in the Commission's hearing room will not have access to the data sources (if they exist) that contain the information the Public Representative contends is necessary.

UNITED STATES POSTAL SERVICE

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September 17, 2010