

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Estimating Volume Changes from  
Pricing Incentive Programs

Docket No. RM2010-9

COMMISSION INFORMATION REQUEST NO. 1

(Issued November 24, 2010)

The Postal Service is requested to respond to the following questions, which seek information for producing reasonable estimates of the effects of pricing incentives on Postal Service finances. Responses should be provided no later than December 22, 2010.

1. The data collection plan approved in Order No. 299 requested the Postal Service to provide volumes sent by participants through mail service providers (MSPs) for each month of the data collection period.<sup>1</sup> The response provided participants' volumes separately for each MSP used by the mail owner. See CHIR.1.Q2a.FCM.MSP.Vol.Comp.xls. It did not provide MSP volumes for the months missing from the original data collection report. The Postal Service later revised its response by providing an additional text file (PRC\_FCM\_Oct06\_Sep10.txt) with over 700,000 lines of data, each of which contains monthly volumes spanning the data collection period. However, the numerical identifiers ("CUI\_CUST\_ID") used in the text file do not appear to correspond to the account codes used in other portions of the data report, and it is not clear whether each line represents a mail owner, an MSP, a permit, or

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<sup>1</sup> Docket No. R2009-5, Order Approving First-Class Mail Incentive Pricing Program, September 16, 2009 (Order No. 299).

some other entity. Please revise the spreadsheet "First-Class Mail Incentive-Order 299-20100504.xls" (filed with the data collection report on July 26, 2010) to include volumes sent by each participant through MSPs for each month of the data collection period (October 2006 through January 2010). The volumes should fill in the missing values in cells B10-AO10 on each sheet. If data are unavailable for any cell, please note that fact.

2. The Postal Service has made several statements in this case that raise questions about the quality and reliability of the data collected from volume incentive pricing initiatives to date, as well as suggesting doubt that any reliable estimates of the effects of pricing initiatives on its finances can possibly be developed. It has stated that the data have "technical flaws"<sup>2</sup> and "serious limitations."<sup>3</sup> In some instances, the Postal Service has suggested that it may be possible to develop a reliable method for estimating the financial effects of pricing incentive programs "with enough effort (and data)"<sup>4</sup> and "through a great deal of research and data from the incentive programs themselves."<sup>5</sup> However, it also characterizes efforts to estimate the financial effects of the incentives as an "impossible task" and states that the answer "will never be known or testable," even if the data problems are addressed. *Id.*
  - a. Please describe the referenced problems with the currently available data that make them unsuitable for use in estimating the programs' effect on Postal Service finances.

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<sup>2</sup> See Initial Comments of the United States Postal Service Concerning Methods to Estimate Volume Changes Caused by Pricing Incentive Programs, July 16, 2010, at 9 (Postal Service Comments, July 16, 2010); see also 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, at 2 (Postal Service Comments, August 3, 2010).

<sup>3</sup> Response of the United States Postal Service in Opposition to the Public Representative's Motion Requesting Technical Conference, September 17, 2010, at 2.

<sup>4</sup> See Postal Service Comments, July 16, 2010, at 9.

<sup>5</sup> Postal Service Comments, August 3, 2010, at 2.

- b. Please address the changes to currently available data (or reporting systems) and, if appropriate, future data collection efforts that would allow the development of reliable estimates, *e.g.*, describe the research or changes in the scope and method of data collection that would facilitate reliable estimates. Also, please describe any plans or steps the Postal Service has taken or contemplates taking to achieve this goal.
3. In reporting on the results of the most recent incentive program, the Postal Service indicates that one participant was involved in a merger but that it had no affect on its discount, whereas the Public Representative states that “93 companies receiving a discount were involved in at least 571 mergers during the relevant discount period.”<sup>6</sup>
  - a. Please discuss this discrepancy and resolve, if possible.
  - b. With respect to prior pricing incentive programs, please describe the protocol used by the Postal Service to identify and account for mergers and acquisitions by participants in pricing incentive programs. If they varied by program, please elaborate.

By the Commission.

Shoshana M. Grove  
Secretary

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<sup>6</sup> Public Representative Motion for Issuance of Information Request, October 20, 2010, at 2.