

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20260-0001

POSTAL RATE AND FEE CHANGES,
2006

Docket No. R2006-1

TESTIMONY OF
L. PAUL LOETSCHER
ON BEHALF OF
THE UNITED STATES POSTAL SERVICE

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1 **Autobiographical Sketch**

2

3 My name is L. Paul Loetscher. I am a Vice President at Christensen
4 Associates, which is an economic research and consulting firm located in
5 Madison, Wisconsin. I joined Christensen Associates in 1995 as a Staff
6 Economist. In 1997 I was promoted to Economist; in 1999 I became a Senior
7 Economist, and in 2005 I was promoted to Vice President. My education
8 includes a B.A. in economics from Colorado State University in 1990 and an M.A.
9 in economics from Michigan State University in 1993. I earned an M.A. by
10 completing coursework and qualifying examinations for a Ph.D., but did not
11 complete a dissertation. While a graduate student at Michigan State University, I
12 was a teaching assistant for four years. I was an instructor for Intermediate
13 Microeconomics, Labor Economics, and Principles of Microeconomics.

14

15 Much of my work at Christensen Associates has dealt with the statistical
16 issues related to the estimation of mail volumes and mail characteristics. In
17 Docket R2005-1, I presented testimony (USPS-T-32) on the size distribution of
18 Periodicals sacks. In Docket MC2004-2 I presented testimony (USPS-T-3) on the
19 size distributions and density of Priority Mail parcels. In Docket No. R2001-1 and
20 R2005-1, I presented testimonies (USPS-T-41/R2001-1, USPS-T-32/R2005-1)
21 on the measurement of domestic mail volumes by shape, ounce increment, and
22 rate element, and the measurement of the entry profile of Outside County
23 Periodicals mail pieces.

1 **I. Purpose of Testimony and Roadmap Overview**

2
3 The purpose of my testimony is to present and sponsor six studies which
4 provide various input information for a number of witnesses: USPS-LR-L-87
5 contains estimates of revenue, pieces, and weight by shape and indicia for First
6 Class Mail, Standard Mail, and Periodicals Mail, USPS-LR-L-32, USPS-LR-L-91,
7 and USPS-LR-L-92 contain estimates of the mail preparation characteristics of
8 First Class Mail, Periodicals Mail, and Standard Mail respectively, USPS-LR-L-33
9 provides estimates of the physical characteristics of Standard Mail non-letters,
10 and USPS-LR-L-34 provides estimates of the rating and billing practices of
11 Business Reply Mail (BRM).

12
13 The estimates contained in USPS-LR-L-87 are used by witnesses Miller
14 (USPS-T-21), Smith (USPS-T-13), Talmo (USPS-T-27), Abdiraham (USPS-T-
15 22), Tang (USPS-T-35), and Taufique (USPS-T-32). The estimates contained in
16 USPS-LR-L-91 are used by witnesses Mayes (USPS-T-25), Miller (USPS-T-21),
17 and Tang (USPS-T-35). The estimates contained in USPS-LR-L-92 are used by
18 witnesses Miller (USPS-T-21), Keifer (USPS-T-36), Abdiraham (USPS-T-22), and
19 Mayes (USPS-T-25). The estimates contained in USPS-LR-L-33 are used by
20 witness Keifer (USPS-T-36). The estimates contained in USPS-LR-L-34 are
21 used by witness Abdiraham (USPS-T-22). The estimates contained in USPS-LR-
22 L-32 are used by witnesses Abdiraham (USPS-T-22), and Miller (USPS-T-21)

1 **II. Revenue, Pieces, and Weight by Shape, Weight Increment, and**
2 **Indicia (LR-L-87)**

3
4 Estimates of revenue, pieces, and weight by shape and indicia for First-
5 Class Mail, Standard Mail, and Periodicals Mail are produced by using the
6 ODIS/RPW sample data and the PostalOne mailing statement database. These
7 estimates employ the general methodology and revenue controls used in the
8 production of official RPW estimates, but in this analysis the shape and indicia
9 detail contained in the two data systems is retained and used to distribute the
10 official estimates by shape and indicia. For Standard Mail, the distribution across
11 weight increment is produced in addition to the distribution by shape and indicia.
12 This study updates USPS-LR-K-87/R2005-1. A detailed description of the
13 methodology employed in producing these estimates is documented in USPS-
14 LR-L-87.

15

1 **III. Mail Characteristics Studies (LR-L-91, LR-L-92, LR-L-34)**

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3 The primary function of the Mail Characteristics Studies presented in
4 USPS-LR-L-34, USPS-LR-L-91 and USPS-LR-L-92 is to provide piece estimates
5 by preparation characteristics that are needed for the mail processing cost
6 models developed by witnesses Miller (USPS-T-21) and Abdiraham (USPS-T-
7 22). The detailed preparation data needed for these models such as the
8 distribution of mail across the various types of containers (sacks, trays, and
9 pallets) presort level of containers and bundles are not generally maintained in
10 any of the Postal Services data systems; so special studies are periodically
11 needed to provide this information.

12

13 The Periodicals (USPS-LR-L-91) and Standard Mail (USPS-LR-L-92)
14 studies use similar methodologies—analysis of Mail.dat files collected through
15 the PostalOne electronic verification system and national samples of small
16 mailings which measure containerization, bundle preparation, machinability, and
17 entry of Standard Mail and Periodicals Outside County Mail. Information from
18 these two data sources are aggregated using postage statement volumes from
19 the PostalOne system.

20

21 The First Class Mail study (USPS-LR-L-34), although similar in purpose, is
22 different in methodology. In the First Class Mail study, a national sample of
23 automation and non-automation flats; non-automation cards and letters, and auto

1 carrier route cards and letters is used to produce estimates of the
2 containerization, bundling, and machinability characteristics of this mail.
3 Automation letters and cards are not sampled because the modeled preparation
4 characteristics of non-carrier route-automation rate letters and cards are known
5 (i.e. 5-Digit automation letters are required to be prepared in 5-Digit trays). Also,
6 the First Class Mail study does not use PostalOne Mail.dat files because a large
7 proportion of First Class mailings is entered by presort service bureaus and other
8 consolidators that do not use mailing lists and, therefore, cannot produce Mail.dat
9 files.

10

11 **IV. Non-ECR Standard Non-Letter Redefinition Study (LR-L-33)**

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13 The Non-letter Redefinition Study used a national sample of non-letter
14 mail to measure detailed physical characteristics of non-letters. A sample of 50
15 routes/box sections was drawn and all non-letters were sampled for one day.
16 Physical characteristics (length, height, thickness, weight, deflection, and rigidity)
17 of each sample piece were recorded. The sample data was then used to analyze
18 the composition of non-letters based on piece compatibility with existing
19 processing machinery and carrier casing practices.

20

1 **V. Business Reply Mail Practices Study (LR-L-34)**

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3 The rating and billing of Business Reply Mail (BRM) differs across
4 facilities. Facilities that deal with large volumes of generally have developed
5 automated operations to rate and bill BRM mail. In facilities that only receive
6 small volumes, the BRM operations are often performed manually. In order to
7 develop BRM rates, information is needed on the relative proportions of
8 automated and manual processing of BRM mail. The study documented in
9 USPS-LR-L-34 is a national study of BRM processing facilities. In the study,
10 offices in the 23 largest 3-Digit zones (in terms of ODIS destinating BRM volume)
11 and a sample of offices in 20 additional 3-Digit zones were surveyed to
12 determine the rating and billing practices at each facility. This information was
13 aggregated using ODIS volumes to produce national estimates of BRM volumes
14 by rating and billing practices.