Postal Rate Commission
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268B0001

POSTAL RATE AND FEE CHANGES, 2006	Docket No. R2006-1

RESPONSES OF GREETING CARD ASSOCIATION WITNESS JAMES A. CLIFTON TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE (USPS/GCA-T1-48-55)

(October 5, 2006)

The Greeting Card Association ("GCA") hereby provides the responses of James A. Clifton to the following interrogatories of the United States Postal Service filed on September 15, 2006: USPS/GCA T1-48-55. Each interrogatory is set out verbatim followed by the response.

Respectfully submitted,

/s/ James Horwood

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Date: October 5, 2006

USPS/GCA-T1-48. On page 39 of USPS-T-7, lines 5 – 8, witness Thress testified as follows:

> "Given the current level of real First-Class letters prices and the price elasticities presented in Tables 13 and 16 below, a 10 percent increase in the price of First-Class single-piece letters, holding the price of First-Class workshared letters constant, will lead to a 5.9 percent reduction in First-Class single-piece letters volume"

The derivation of this 5.9 percent figure is as follows:

(i) For GFY 2005, the nominal price of First-Class single-piece letters, as shown in LR-L-63 at page 27, Table 63-5, was $0.453295. For GFY 2005, the average value of the price deflator used by witness Thress in this case had a value of 1.104693 (LR-L-63, Table 63-16, page 65). Dividing the nominal price by the price deflator produces a real price of First-Class single-piece letters for GFY 2005 of $0.410336.

(ii) A 10 percent increase in the price of First-Class single-piece letters would lead to a price for First-Class single-piece letters of $0.451369, which is equal to $0.410336 * 1.10.

(iii) The sum of the coefficients on the current and lagged price of First-Class single-piece letters in witness Thress's equation (called the "long-run own-price elasticity" by witness Thress) is equal to −0.183741.

(iv) Given the functional form of witness Thress's demand equation, the impact of a 10 percent increase in the price of First-Class single-piece letters would be equal to the following:

$$\text{Percent change in volume} = (\$0.451369 / \$0.410336)^{-0.183741} - 1 = -1.736\%$$

(v) The nominal value for the average First-Class worksharing discount for GFY 2005 is equal to $0.079713 (LR-L-63, Table 63-8, page 41). Dividing by the price deflator (1.104693) produces a real discount for GFY 2005 of $0.072158.

(vi) An increase in the average price of First-Class single-piece letters of $0.041034 ($0.451369 - $0.410336), holding the price of First-Class workshared letters constant, will increase the average worksharing discount from $0.072158 to $0.113192 ($0.072158 + $0.041034).

(vii) The coefficient on the average worksharing discount in witness Thress's First-Class single-piece letters equation is -0.095656.

(viii) Given the functional form of witness Thress's demand equation, the impact of a change in the average worksharing discount from \$0.072158 to \$0.113192 would be equal to the following:

$$\text{Percent change in volume} = (\$0.113192 / \$0.072158)^{-0.095656} - 1 = -4.215\%$$

(ix) Combining the impacts shown in steps (iv) and (viii) above, the full impact of a 10 percent increase in the price of First-Class single-piece letters, holding the price of First-Class workshared letters constant, will be equal to the following:

$$[1 + (-1.736\%)] * [1 + (-4.215\%)] - 1 = -5.9\%$$

a. Please confirm that steps (i) – (ix) presented above are mathematically correct, and correctly reproduce the result (i.e., the 5.9 percent reduction) described by witness Thress. If you cannot confirm, please explain fully.

b. Turning to your analysis, please confirm that the demand equation which you present in Table A-8 on page 9 of Appendix A of your testimony is the demand equation for First-Class single-piece letters which you are proposing be adopted in this case. If you cannot confirm, please explain fully.

c. Please confirm that the sum of the coefficients on the current and lagged price of First-Class single-piece letters in your equation, which you present in Table A-8 on page 9 of Appendix A of your testimony, is equal to −1.0552 (-0.9076 plus -0.1476). If you cannot confirm, please explain fully.

d. Please confirm that, given the functional form of your equation, the impact of a 10 percent increase in the price of First-Class single-piece letters would be equal to the following:

$$\text{Change in volume (pieces per adult per day)} = (\$0.451369 - \$0.410336)*(-1.0552) = -0.0433$$

If you cannot confirm, please explain fully.

e. Please confirm that the coefficient on the average worksharing discount in your equation is identified as C(31) in Table A-8 on page 9 of Appendix A

of your testimony and has a value of 1.268284. If you cannot confirm, please explain fully.

f. Please re-confirm from step (vi) above that an increase in the average price of First-Class single-piece letters of $0.041034 ($0.451369 - $0.410336), holding the price of First-Class workshared letters constant, will increase the average worksharing discount from $0.072158 to $0.113192 ($0.072158 + $0.041034). If you cannot confirm, please explain fully.

g. Please confirm that, given the functional form of your equation, the impact of a change in the average worksharing discount from $0.072158 to $0.113192 would be equal to the following:

Change in volume (pieces per adult per day) = ($0.113192 - $0.072158)*(1.2683)
= +0.0520

If you cannot confirm, please explain fully.

h. Please confirm that, combining the impacts shown in d. and g. above, the total change in the volume of First-Class single-piece letters (pieces per adult per day) predicted by your model, given a 10 percent increase in the price of First-Class single-piece letters, holding the price of First-Class workshared letters constant, will be equal to an increase of 0.0087 (minus 0.0433 plus 0.0520). If you cannot confirm, please explain fully.

i. Please confirm that the calculations presented above show that your demand equation would predict that an increase in the price of First-Class single-piece letters, holding the price of First-Class workshared letters and everything else constant, would be expected to lead to an increase in the volume of First-Class single-piece letters. If you cannot confirm, please explain fully.

j. Please confirm that the result postulated in part h. – that your model suggests that an increase in the price of First-Class single-piece letters would lead to an increase in the volume of First-Class single-piece letters – would be true for any change in the price of First-Class single-piece letters which leads to an equal change in the average First-Class worksharing discount. If you cannot confirm, please explain fully.

k. Please confirm that your model would predict that a reduction in the price of First-Class single-piece letters, coupled with an equal reduction in the average First-Class worksharing discount, would predict a reduction in the volume of First-Class single-piece letters. If you cannot confirm, please explain fully.

l. Please confirm that the results identified in parts h. – k. of this question are at odds with basic economic theory. If you cannot confirm, please explain fully.

RESPONSE:

a. Confirmed.

b-l. Not confirmed. It seems you are calculating the change in volume for a percentage change in price. The sum of the coefficients of single-piece price and its lag which I have estimated gives the change in volume for one unit change in price not the change in volume for 1% change in price. Note that 1 unit change means (X+1) whereas 1% change means (X+0.01*X = 1.01*X). The values you are using are not elasticities but slopes which should be evaluated at the average price and average volume over the entire period to obtain the elasticities and then to perform the exercise. My single-piece own-price elasticity is -.456 and for the workshared discount in the single-piece equation it is +0.0795 with the sum of these two elasticities being -0.3765. The impact cannot be positive.

To simplify the process and to be comparable to your results, I will reproduce your steps (i)-(ix) below. The only difference is that I am replacing Thress' own-price elasticity of -0.183741 with my own-price elasticity of -0.455699 and the Thress workshared discount elasticity of -0.095656 with my workshared discount elasticity of +0.0794552. The latter elasticity was calculated as follows:

Workshared Discount Elasticity = Workshared Discount Coefficient * (Average Workshared Discount over 1983-2005 divided by the Average Single-Piece Volume over 1983-2005)

Workshared Discount Coefficient = 1.268284

Average Workshared Discount = 0.0610

Average SP Volume = 0.9737

Workshared Discount Elasticity = 1.268284 * (0.061/0.9737) = +0.0795

(i) For GFY 2005, the nominal price of First-Class single-piece letters, as shown in LR-L-63 at page 27, Table 63-5, was $0.453295. For GFY 2005, the average value of the price deflator used by witness Thress in this case had a value of 1.104693 (LR-L-63, Table 63-16, page 65). Dividing the nominal price by the price deflator produces a real price of First-Class single-piece letters for GFY 2005 of $0.410336.

(ii) A 10 percent increase in the price of First-Class single-piece letters would lead to a price for First-Class single-piece letters of $0.451369, which is equal to $0.410336 * 1.10.

(iii) The sum of the coefficients on the current and lagged price of First-Class single-piece letters in witness Thress's equation (called the "long-run own-price elasticity" by witness Thress) is equal to −0.183741.

(iv) Given the functional form of witness Thress's demand equation, the impact of a 10 percent increase in the price of First-Class single-piece letters would be equal to the following:

$$\text{Percent change in volume} = (\$0.451369 / \$0.410336)^{-0.455699} - 1 = -4.25\%$$

(v) The nominal value for the average First-Class worksharing discount for GFY 2005 is equal to $0.079713 (LR-L-63, Table 63-8, page

41). Dividing by the price deflator (1.104693) produces a real discount for GFY 2005 of $0.072158.

(vi) An increase in the average price of First-Class single-piece letters of $0.041034 ($0.451369 - $0.410336), holding the price of First-Class workshared letters constant, will increase the average worksharing discount from $0.072158 to $0.113192 ($0.072158 + $0.041034).

(vii) The coefficient on the average worksharing discount in witness Thress's First-Class single-piece letters equation is 0.0794552.

(viii) Given the functional form of witness Thress's demand equation, the impact of a change in the average worksharing discount from $0.072158 to $0.113192 would be equal to the following:

$$\text{Percent change in volume} = (\$0.113192 / \$0.072158)^{0.0794552} - 1 = 3.64\%$$

(ix) Combining the impacts shown in steps (iv) and (viii) above, the full impact of a 10 percent increase in the price of First-Class single-piece letters, holding the price of First-Class workshared letters constant, will be equal to the following:

$$[1 + (-4.25\%)] * [1 + (3.64\%)] - 1 = -0.76\%$$

USPS/GCA-T1-49. Please refer to Table 3 on page 20 of your testimony.

a. Please confirm that the years 2000 - 2003 identified in Table 3 refer to calendar years 2000 – 2003. That is, please confirm that "2000" refers to the time period from January 1, 2000 through December 31, 2000. If you cannot confirm, please identify what time period is covered by the year identified as "2000" in Table 3.
c. What is the source of the data identified as "Commercial checks"?
d. Why are "Bill Payments by SP Mail" only provided for the years 2002 and 2003?
e. Please provide an updated version of Table 3 which includes "Bill Payments by SP Mail" data for 2000 and 2001.
f. Are data available for any of the payment instruments presented in Table 3 for any years more recent than 2003? If so, please provide all such data.
g. You cite "Thress R2005-1" as the source for the "SP Volume" and "SP Prices" data in this Table. Why did you not use data from the current rate case?
h. You state in a note that "USPS quarterly SP volume & price are converted to regular annual data to correspond to other annual data given in above table." Please provide a step-by-step example of how these data were converted to "regular annual data."
i. Are you aware that the Fiscal Years for which Household Diary Studies report data are Postal Fiscal Years? That is, the 2004 Household Diary Study reports data for the time period from October 1, 2003 through September 30, 2004. Did you convert this data to "regular annual data" in the same way as was done for "USPS quarterly SP volume & price" data? If not, why not? If not, please produce, if feasible, an updated version of Table 3 which uses volume, price, and Household Diary Study data from consistent time periods.
j. Please confirm that First-Class Mail volumes and price data are available through 2005.
k. Please confirm that Household Diary Study data are available through 2005.
l. Please provide an updated version of Table 3 which includes data through 2005 wherever such data are available.

RESPONSE:

a. Most of the data in the columns you refer to are annual, calendar year data. The only exceptions are the data from the HHD Study, which are fiscal year numbers for the rows labeled "Bill Payments…" and "Statements Per…". In the revised Table 3 submitted with this

interrogatory response, I have used fiscal year data for the rows “SP Volume…” and “SP Real Price…” so that the cross price elasticities for Bill Payments and Statements with respect to the single piece mail price are based on consistent definitions of years. The intention was to convert all the above-mentioned data to annual. The SP real price and volume data were so converted, and should have been converted back to fiscal data when it was determined the HHD data could not be converted from a postal fiscal year to annual year basis. The revised data in Table 3 are consistent with respect to my testimony and do not alter it in any material way. With respect to the revised cross elasticities, they are very close and well above an absolute value of 1.0 using pure fiscal year data or mixed fiscal/annual year data for the time periods 2000-2003 and 2001-2003. For the 2002-2003 period, the values differ, but the revised cross elasticity is still well above an absolute value of 1.0.

b. N/A – No pending question.
c. See my answer to 47.
d. To the best of our knowledge, this information is not available from the HHD Study for those years, which was our source for the 2002 and 2003 data.
e. See my answer to d.
f. Not to my knowledge. The FED study has not been updated past the year 2003.
g. We did not have the corresponding data for electronics payments instruments to update the table beyond the years covered in the table.
h. See my answer to a., and the revised Table 3.
i. Yes. Please see my answer to a. and the revised Table 3.
j. Confirmed.
k. Confirmed.
l. This is not possible for reasons explained in f. and g. Further, for the few cells of data where it is possible, it is unclear from your question what base year(s) and end year(s) you are asking for.

Table 3
Descriptive Statistics Estimating Arc Elasticities for Single-Piece Mail and Electronic Payments

Arc Elasticities 2000-2003
Revised September 28, 2006

Number of payments (millions)	Annual Data				Cross Price Elasticities With Respect to Single-Piece Price			Own Price Elasticities With Respect to GDP Computer Price Deflator			Own Price Elasticities With Respect to BLS Computer Price Index		
Payment Instrument	2000	2001	2002	2003	2000-2003	2001-2003	2002-2003	2000-2003	2001-2003	2002-2003	2000-2003	2001-2003	2002-2003
General Purpose Credit Cards	12,300	13,203	14,172	15,212	4.63	3.20	4.53	-0.62	-0.62	-0.61	-0.42	-0.39	-0.36
Private Label Credit Cards	3,301	3,445	3,596	3,753	2.68	1.88	2.70	-0.36	-0.37	-0.37	-0.24	-0.23	-0.22
Signiture Debit	5,269	6,580	8,218	10,263	18.54	11.78	15.37	-2.50	-2.29	-2.08	-1.69	-1.44	-1.24
PIN Debit	3,010	3,644	4,410	5,338	15.12	9.78	12.99	-2.04	-1.90	-1.76	-1.38	-1.20	-1.04
ACH	6,211	7,045	7,990	9,062	8.98	6.02	8.28	-1.21	-1.17	-1.12	-0.82	-0.74	-0.67
EBT	538	621	716	827	10.52	6.99	9.52	-1.42	-1.36	-1.29	-0.96	-0.86	-0.77
Total	30,629	34,678	39,263	44,455	8.83	5.93	8.16	-1.19	-1.15	-1.10	-0.80	-0.73	-0.66
Checks (Own Price)	41,900	40,090	38,357	36,700	-2.43	-1.78	-2.67						
Commercial checks	16,993	16,905	16,586	15,805	-1.37	-1.37	-2.91						
Bill Payments by SP mail (FY)			11,996	11,096			-2.19						
Bill Payments Per Household Per Week (FY)	2.9	3.2	3.4	3.2	2.09	0.00	-1.71						
Statements Per Household Per Week (FY)	1.1	1.4	1.2	1.1	0.00	-3.83	-2.43						
SP Volume /Pop/Days (FY)	3.56344	3.44667	3.27698	3.05866	-2.86	-2.01	-1.94						
SP Real Price (FY)	0.41122	0.40874	0.41728	0.4316									
SP Volume /Pop/Days	3.53669	3.36397	3.23447	3.04258	-2.73	-2.01	-3.66						
SP Real Price	0.40889	0.41030	0.42295	0.42980									
GDP Deflator for Computers	100.00	82.19	70.54	62.10									
BLS Price Index for Computers	70.62	50.64	38.78	30.96									

Notes: USPS quarterly SP volume & price are converted to regular annual data to correspond to other annual data given in above table
FY denotes Postal Fiscal Year.
The shaded area shows the revised numbers based on the Postal Fiscal Year. All other data are based on calendar year.

Sources:
Payment Instruments data are obtained from 2004 Electronic Payments Study
Commercial checks are obtained from the Bureau of Economic Analysis & various The Household Diary Study reports.
SP Volume and SP prices are obtained from Thress R2005-1.
GDP deflator and BLS price index for computers are from BEA & BLS.

USPS/GCA-T1-50. At page 18, line 15, you describe the elasticity estimates presented in Table 3 on page 20 of your testimony thusly, "This estimation assumes short run economic conditions, where ceteris paribus conditions are presumed to hold for all other factors affecting the demand for electronic payments other than their own prices and postal prices."

a. Please confirm that the numbers presented in Table 3 under the columns identified as "Cross Price Elasticities" attribute all of the change in the number of payments to the real price of First-Class single-piece letters. Specifically, please confirm that these "Cross Price Elasticity" estimates assume that changes in the price of the electronic payments themselves have no effect on the volume of electronic payments. If not confirmed, please explain fully.
b. Please confirm that the numbers presented in Table 3 under the columns identified as "Own Price Elasticities" attribute all of the change in the number of payments to the price of electronic payments, as measured by the implicit GDP price deflator for computers. If not confirmed, please explain fully.
c. In light of your answers to a. and b. above, please confirm that the "Cross Price Elasticities" and "Own Price Elasticities" presented in Table 3 are not consistent. That is, please confirm that, for example, if the own-price elasticity for general purpose credit cards is equal to -0.62, then the cross-price elasticity for general purpose credit cards with respect to postage prices is not equal to 4.63. If not confirmed, please explain fully.
d. Please confirm that, based on how the numbers in your Table 3 were calculated, if the own-price elasticity for general purpose credit cards is equal to -0.62, then the cross-price elasticity with respect to the price of First-Class single-piece letters is equal to zero. If not confirmed, please explain fully.
e. Please confirm that, based on how the numbers in your Table 3 were calculated, that if the own-price elasticities for electronic payment instruments were all equal to the numbers shown in Table 3, then the cross-price elasticity with respect to the price of First-Class single-piece letters would be equal to zero for all of the electronic payment instruments presented in Table 3. If not confirmed, please explain fully.
f. Did you make any attempts to estimate own- and cross-price elasticities jointly for any of the payment instruments shown in Table 3? If so, please provide the results of such experiments. If not, why not?

RESPONSE:

a. Not confirmed. These are descriptive statistics only, and do not purport to correct for all other possible influences on the volume of electronic

payments instruments. Moreover, they are point estimates, not linear regressions of the theoretical equation (2) on page 18.

b. Please see my answer to a.

c.-f. Not confirmed. I have not yet identified the full universe of competing substitutes for payments mail. Had I been able to do so, the sum of the cross price elasticities would approximate the own price elasticity. What your numbers suggest is that the intensity of competition in the payments market faced by the Postal Service is even greater than I discuss in my testimony.

USPS/GCA-T1-51. Please refer to Table 3 on page 20 of your testimony. Please calculate price elasticities with respect to the GDP Computer Price Deflator for Checks, Commercial Checks, Bill Payments by SP Mail, Bill Payments per Household per Week, Statements per Household per Week, SP Volume / Pop / Days, and WS Volume / Pop / Days.

RESPONSE:

The data for own price elasticity of payments instruments with respect to Commercial Checks, Bill Payments by SP mail, and SP Volume all have a positive sign, as expected, since economic theory predicts the higher the price of the competing substitute the greater the volume of the other good. The corresponding data with respect to Bill Payments and Statements is erratic, inconsistent, and one cannot draw any inference from it.

Number of payments (millions)	Annual Data				Own Price Elasticities With Respect to GDP Computer Price Deflator		
Payment Instrument	2000	2001	2002	2003	2000-2003	2001-2003	2002-2003
Checks (Own Price)	41,900	40,090	38,357	36,700	0.327	0.346	0.361
Commercial checks	16,993	16,905	16,586	15,805	0.184	0.266	0.393
Bill Payments by SP mail (FY)			11,996	11,096			0.608
Bill Payments Per Household Per Week (FY)	2.9	3.2	3.4	3.2	-0.272	0.000	0.477
Statements Per Household Per Week (FY)	1.1	1.4	1.2	1.1	0.000	0.803	0.676
SP Volume /Pop/Days (FY)	3.56344	3.44667	3.27698	3.05866	0.373	0.422	0.540
GDP Deflator for Computers (FY)	102.94	87.09	72.84	63.86			
GDP Deflator for Computers	100.00	82.19	70.54	62.10			

Note: FY denotes Postal Fiscal Year.

USPS/GCA-T1-52. Please refer to Table 3 on page 20 of your testimony. You calculate a price elasticity of Statements per Household per Week with respect to the First-Class single-piece letters price.

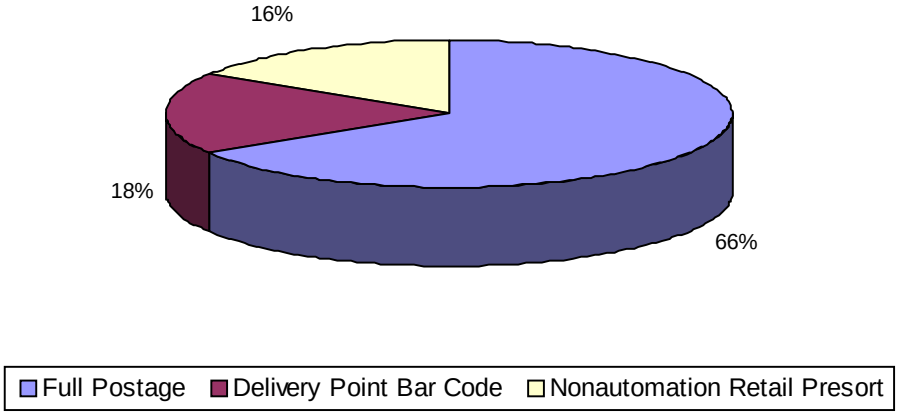
a. What percentage of statements sent to households are sent as First-Class single-piece letters?
b. If most statements sent to households are sent as First-Class workshared letters, wouldn't it make more sense to estimate the price elasticity of statements with respect to the price of First-Class workshared letters? In [sic] not, why not?

RESPONSE:

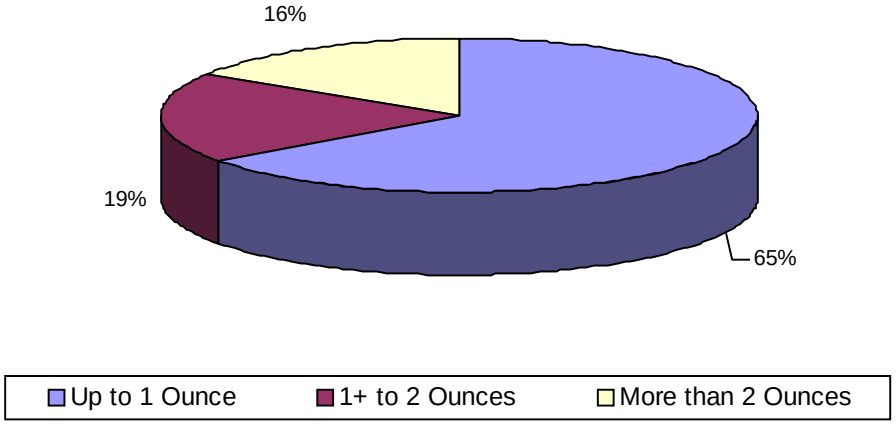
a. and b. I do not have "global" evidence on this from all industry statements sent to households, but the attached "Figure 5: Banking Industry's Outgoing First Class Mail Volume", page 8, from a survey by the American Bankers Association, "Postal Operations Survey Report—2000", is a strong indication that a great deal of statements mail is sent at the full single piece rate.

FIGURE 5: BANKING INDUSTRY'S OUTGOING
FIRST CLASS MAIL VOLUME
1999

By Program Type



By Weight



USPS/GCA-T1-53. Please refer to Table 3 on page 20 of your testimony. Why did you calculate an elasticity for First-Class workshared letters volume (WS Volume / Pop / Days) with respect to the price of First-Class single-piece letters? What was your expectation with respect to the magnitude and sign of this elasticity? Why?

RESPONSE:

The inclusion of the row labeled "WS Volume/Pop/Days" was inadvertent and has been dropped in the revised Table 3 attached to the answer to 49. a. That data was not used for any calculation in Table 3.

USPS/GCA-T1-54. At page 18, line 15, you state the following, with respect to the elasticity estimates presented in Table 3 on page 20 of your testimony, "This estimation assumes short run economic conditions, where ceteris paribus conditions are presumed to hold for all other factors affecting the demand for electronic payments other than their own prices and postal prices."

a. Please confirm that the National Bureau of Economic Research has stated that the United States economy was in recession from March, 2001, through November, 2001.
b. Please confirm that total private employment in the United States was lower at the end of 2003 than it was at the end of 2000.
c. Isn't it true that the facts confirmed in a. and b. indicate that your assumption of "ceteris paribus conditions" was not correct.
d. If you attempted to control for changes in economic conditions from 2000 to 2003, how do you think this would have affected the elasticities presented in Table 3 of your testimony? Specifically, what effect do you think controlling for changes in economic conditions would have on your estimates of the elasticity of bills, statements, and total First-Class Mail volume with respect to the price of First-Class single-piece letters?

RESPONSE:

a. Confirmed.
b. Confirmed.
c. Not confirmed. People have to pay most recurrent bills at the same volume even if they are cutting back on their overall level of expenditure. For example, during a recession or during a personal period of unemployment, a household may have a much smaller credit card bill to pay each month. However, they still have a bill to pay, which can be paid on-line or through the mail.
d. I don't know.

USPS/GCA-T1-55. At page 18, line 15, you state the following, with respect to the elasticity estimates presented in Table 3 on page 20 of your testimony, "This estimation assumes short run economic conditions, where ceteris paribus conditions are presumed to hold for all other factors affecting the demand for electronic payments other than their own prices and postal prices."

a. Please confirm that the price elasticities associated with checks, bills, statements, and First-Class mail volume, presented in Table 3, attribute all of the change in these volumes to the real price of First-Class single-piece letters. Specifically, please confirm that these elasticity estimates assume that changes in the price of electronic payments have no effect on these volumes.
b. Do you believe that the volume of bill and statement mail is affected by the availability and strength of competing substitutes? Specifically, do you believe that the volume of bill and statement mail would be affected by the availability and price of electronic payments even if the real price of First-Class Mail remained constant?
c. If you attempted to control for changes in the availability and strength of electronic payment alternatives to the mail from 2000 to 2003, how do you think this would have affected the elasticities presented in Table 3 of your testimony? Specifically, what effect do you think controlling for changes in the availability and strength of electronic payment alternatives would have on your estimates of the elasticity of bills, statements, and total First-Class Mail volume with respect to the price of First-Class single-piece letters?

RESPONSE:

a. See my answer to 50. a.

b. Yes, because by "availability", I am assuming what you mean is that electronic substitutes compete on price and non-price grounds with First Class Single Piece Mail. The point I am making in my testimony, however, is that the intensity of this combination of competitive forces aligned against single piece mail absolutely requires the Postal Service to do better than keeping the real price of single piece letters constant, in addition to competing on non-price grounds as well. I am deeply concerned, however, that the rate proposals for single piece letters in R2005-1 and again in R2006-1 suggest USPS is throwing in the towel against electronic competition for payments mail, and giving up trying to achieve even a constant real price for single piece mail.

c. I don't know.