

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Periodic Reporting

Docket No. RM2008-2

**COMMENTS OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO
ON RULEMAKING ON COSTING METHODS USED IN PERIODIC REPORTING**
(September 8, 2008)

On August 11, 2008, the United States Postal Service issued a Request for Commission Order Amending the Established Costing Methodologies for Purposes of Preparing the FY 2008 Annual Compliance Report. The Postal Service proposed eight methodological changes for the 2008 ACR. On August 18, 2008, the Postal Service moved to supplement the list of proposed costing changes by the addition of a ninth methodological change. In response, the Postal Regulatory Commission issued Order No. 99 Notice of Proposed Rulemaking on Costing Methods Used in Periodic Reporting seeking public comment on the nine proposed costing changes. The APWU hereby respectfully submits the following comments on Proposal Four and Proposal Seven.

Proposal Four: PROPOSED CITY CARRIER COLLECTION COST CHANGE

In Proposal Four the Postal Service seeks to attribute the “non-volume variable portion (\$60 million) of the city carrier time, associated with picking up mail in blue collection boxes, to First-Class single piece letters.” USPS Request p. 12. Currently, this \$60 million is allocated to institutional costs.

The Postal Service sought this exact change in its filing for Annual Compliance Report 2007. The Commission rejected this change. ACR 2007 Appendix B p. 6-7. In so doing, the Commission stated that the rationale offered by the Postal Service, that collection boxes "...are put into service for collecting First-Class Single Piece letters..." was insufficient. Id. The Commission further stated "[n]ot only are numerous mail products other than First-Class single-piece letters collected in general collection boxes, the boxes themselves do not state that their use is solely for the collection of First-Class single-piece letters. Consequently, the Commission will retain the costs as institutional costs." Id. The recent Postal Service filing did not provide any additional information to challenge the Commission's finding in ACR 2007.

First-Class Single-Piece Cards, Priority Mail, Express Mail, First Class International Mail, Priority Mail International and International Express Mail, can still be collected from collection boxes. USPS Technical Conference Material, Response to Proposal Four Question 2, p. 8. The Postal Service claims that the new security rule supports a finding that the collection costs should be allocated to First Class Single Piece. The Postal Service, however, admits that "the new security rule does not categorically exclude 'any classes of mail.'" Id.

Prior to shifting institutional costs to First Class Single Piece, the Postal Service should be required to provide current, accurate information supporting such a shift. In the instant case, the distribution of blue collection box collection mail is based on a special study conducted in R84-1. Certainly, the Postal Service should be able to produce information that is less than 24 years old. For example, the

Advanced Facer Cancellor System (AFCS) processes collection box mail and should be able to collect information on that type of mail. Also, the Postal Service states that “collection mail volumes from customer delivery points have been captured by the City Carrier Cost System (CCCS) for several years.” Id. at Response to Proposal Four Question 1, p. 7. The CCCS should permit the Postal Service to know with certainty, not only the volume of mail, but the type of mail collected, instead of estimating this from 1984 data.

The Postal Service failed to provide any new information in support of its requested change despite the real possibility of obtaining information that is more current. The Commission should reject the Postal Service’s proposed change to the allocation of city carrier collection costs and require the Postal Service to utilize current information to ensure that cost allocations are accurate.

Proposal Seven: PROPOSED CHANGE IN DISTRIBUTION KEY FOR VSD COSTS

Currently, the Postal Service distributes the VSD attributable costs to “products in the same proportions as cubic feet of originating mail obtained from the Revenue, Pieces and Weight (RPW) Statistics.” Request p. 20. In Proposal Seven, the Postal Service seeks to change this distribution method and distribute “attributable costs to products in the same proportion as the estimated cubic-foot miles of mail sampled on INTRA-SCF routes.” Id. at p. 21. The Commission should reject this proposal.

The Postal Service claims that the “current method of distributing attributable costs to products incorrectly assigned Vehicle Service Driver labor costs to mail that originates at the Destination Delivery Unit (DDU).” Id. The Postal Service presumes

that “this mail is entered at the DDU for delivery on routes from that office, and thus avoids VSD costs.” The Postal Service then concludes that “INTRA-SCF runs provides a reasonable proxy for distributing attributable costs to products.” Id.

Utilizing a proxy is sometimes reasonable and necessary. However, where real data can be made available, use of a proxy should not be permitted. In the instant case, the Postal Service claims that a proxy is necessary because there is no specific VSD distribution key. It claims that “[r]elative proportions of mail transported by Intra-SCF contracts are much more likely to be representative of VSD mail than relative proportions of originating cube, which necessarily include DDU mail that VSD drivers are unlikely to transport.” Id. The Postal Service provides no support for this position outside of presuming that mail dropped at DDUs avoid VSD costs. However, the Postal Service should know how much mail is dropped at DDUs and Stations and Branches and where that mail goes, because the Postal Service gives discounts to mailers for doing so. In addition, the Postal Service has data for Highway Contract Routes. This data is the same type of information needed for VSD. Therefore, the Postal Service should have VSD specific information.

The Postal Service should not be permitted to reallocate a substantial amount of attributable costs according to an unsupported proxy when it should be able to produce and use real data for the VSD cost allocation. The Postal Service insists on using imperfect approximations instead of undertaking efforts to obtain accurate, precise information. Therefore, the Commission should reject Proposal Seven.

Conclusion

For the foregoing reasons, the APWU respectfully requests that the Commission reject the changes offered by the Postal Service in Proposal Four and Proposal Seven.

Respectfully submitted,

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