

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Periodic Reporting

Docket No. RM2019-4

PUBLIC REPRESENTATIVE COMMENTS

(June 13, 2019)

I. INTRODUCTION

Pursuant to Commission Order No. 5095, issued May 15, 2019, the Public Representative hereby responds to the Commission's request for comments on its Notice of Proposed Rulemaking regarding analytical principles related to periodic reporting.<sup>1</sup> In its Notice, the Commission indicates that it intends to establish a methodology that would determine which delivery cost estimate should be used to calculate the passthroughs for Periodicals Outside County Carrier Route Basic Flats (Carrier Route Basic). *Id.*

II. BACKGROUND

The Commission initiated this rulemaking proceeding to resolve a methodological issue raised by The Association of Magazine Media (MPA), in a motion filed in the FY 2018 Annual Compliance Determination Report (ACD) docket.<sup>2</sup> In that docket, MPA alleged that the Postal Service had miscalculated the passthrough for Carrier Route Basic by using an incorrect unit delivery cost estimate and requested amendments to the FY 2018 ACD. *Id.* MPA proposed an alternative methodology that used a different delivery cost estimate, which resulted in a higher cost avoidance and a lower passthrough. *Id.*

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<sup>1</sup> Notice of Proposed Rulemaking on Periodicals Outside County Carrier Route Basic Flats, May 15, 2019, Order No. 5095 (Notice).

<sup>2</sup> Docket No. ACR2018, Motion of MPA-The Association of Magazine Media for Correction of FY 2018 Annual Compliance Determination Report, April 22, 2019 (MPA Motion).

The Postal Service responded to the MPA Motion, stating that it “does not disagree” with MPA’s position.<sup>3</sup> The Postal Service concluded that MPA’s revised figure “constitutes a more appropriate delivery cost avoidance estimate.” *Id.* The Postal Service also requested that the Commission “affirmatively indicate those figures should be applied in any future proceeding.” *Id.* at 3.

The Commission denied the MPA Motion, despite the fact that MPA and the Postal Service supported the underlying approach.<sup>4</sup> It did so because the proposed change diverged from the Postal Service’s past methodology and, therefore, requires a formal change in analytical principles. *Id.* at 4-5. Accordingly, the Commission instituted the instant rulemaking to establish a methodology to determine which delivery cost estimate should be used to calculate the Carrier Route Basic passthrough.

### III. DISCUSSION

This case is atypical in that the Commission initiated the rulemaking proceeding in response to an identified methodological issue, instead of being petitioned by the Postal Service or a stakeholder. It is also atypical because there has not been a preceding rulemaking to establish a methodology for which delivery cost estimate should be used to calculate the passthroughs for Carrier Route Basic.<sup>5</sup> Instead, the Commission can only look to the Postal Service’s historical practice to determine which methodology is currently in place.

In the past, the Postal Service calculated the delivery costs for Carrier Route Basic using the delivery cost estimates for those mailpieces destinating in non-FSS zones. Notice at 3. The Postal Service used this, more granular, data instead of more general data on the delivery costs for all Carrier Route Flats pieces. *Id.* The Postal Service’s approach made sense because, at the time, “[o]nly pieces destinating to non-FSS zones would be prepared and processed as Carrier Route or 5-Digit.” *Id.*

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<sup>3</sup> Docket No. ACR2018, Response of the United States Postal Service to MPA Motion Seeking Amendment of the FY 2018 Annual Compliance Determination, April 29, 2019, at 2.

<sup>4</sup> Docket No. ACR2018, Order Denying Motion for Correction, May 15, 2019 (Order No. 5094).

<sup>5</sup> See Notice at 2; Order No. 5094 at 4.

Subsequently, the Postal Service removed the FSS Flats product and, as a result, the Postal Service now prepares and processes Carrier Route pieces for all zones. *Id.* In other words, the rationale for the Postal Service's existing methodology is no longer valid.

The Notice proposes to address this historical quirk by using "the delivery costs for all pieces as the unit cost estimate used to calculate the cost avoidance and passthrough for Carrier Route Basic." *Id.* As the Notice notes, the MPA and Postal Service both indicated that they would support such a change in Docket No. ACR2018. *Id.* at 4.

Pursuant to 39 CFR 3050.11, the standard for evaluating a change in an accepted analytical principle is whether the change would improve the quality, accuracy, or completeness of the data or analysis of data contained in the Postal Service's annual reports. The Commission must determine that a change in methodology meets this standard in order to implement the change.

The Public Representative believes that the Commission's proposed change meets this standard. In the Public Representative's view, the proposed change would clearly improve the accuracy of the data contained in the Postal Service's annual reports. The Postal Service's current methodology does not reflect significant operational changes that have been made since the methodology's adoption and does not utilize the best possible data.

In contrast, the Commission's proposed methodology uses the most accurate data to estimate Carrier Route Basic delivery costs and passthroughs. The proposal also modernizes the applicable analytical principles to reflect the Postal Service's current operations.

As a procedural matter, the Public Representative commends the Commission's decision to initiate this docket to address the concerns raised in the MPA Motion, instead of attempting to resolve those concerns in the ACR2018 Docket. A rulemaking docket, such as this one, is the appropriate forum to analyze potential changes in analytical principles.

#### IV. CONCLUSION

The Public Representative supports Commission's intention to establish the methodology for which delivery costs estimate should be used to calculate passthroughs for Periodicals Outside County Carrier Route Basic Flats. The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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