

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Michael Kubayanda, Vice Chairman;
Mark Acton;
Ann C. Fisher; and
Ashley E. Poling

Periodic Reporting
(Proposal Two)

Docket No. RM2020-7

PUBLIC REPRESENTATIVE COMMENTS ON PROPOSAL TWO

May 22, 2020

I. EXECUTIVE SUMMARY

The Public Representative respectfully submits the following comments on the Postal Service's Proposal to update city carrier variabilities. He agrees the task is timely, and commends the Postal Service on developing a method which is relatively simple to implement and is likely to be reasonably accurate. The Public Representative takes issue with the Postal Service's stated motivation for updating city carrier variabilities, namely the greater than 3 to 1 ratio of the unit cost of destinating several flat's products in FSS Zones compared to Non-FSS Zones, while the ratio of marginal flats and cased mail have a ratio approximately equal to 1.9.

He shows that the Postal Service incorrectly included costs of special purpose routes, blue box collection and delivery support costs in its estimates of unit costs of mail destinating in FSS and Non-FSS Zones. While these cost categories are part of city carrier street time costs, they are not part of city carrier delivery costs. Since city

carrier volume variabilities are based upon delivery time, not street time, the comparison of unit costs in FSS and Non-FSS Zones should use unit delivery costs.

The Public Representative shows that the ratio of unit delivery (not street) costs of flat mail destinating in FSS Zones compared to Non-FSS Zones is at times a bit above 2.0 and at times below 1.9. He recommends the Commission should not accept the Postal Service's justification for updating city carrier variabilities. He maintains it is sufficient to update city carrier variabilities when relative volume shares notably change, and agrees they should be updated. He accepts the Postal Service's "Relative Share Method" to update city carrier variabilities, but maintains Collection Variability could and should have been updated. He counters the Postal Service's arguments against updating collection variability, and concludes the Commission would implicitly be disavowing its prior acceptance of the special study performed in RM2015-7, upon which the collection variability is based.

Finally, the Public Representative extends the Postal Service's Relative Share Method to include Collection Mail and estimates modified updated means, marginal times, and variabilities. He then calculates the unit cost impact, by product, of his "Delivery and Collection Volume Relative Share's Method," and shows the method produces very similar results as does the Postal Service's Method. He recommends the Commission adopt his method, because failing to update the collection mail variability, at least if it were to rely upon the Postal Service's arguments for excluding collection mail, would implicitly abnegate its prior adoption of the special city carrier collection study performed in RM2015-7. Moreover, updating the variability of collection mail is easy to perform, produces reasonable shape variabilities, and has no significant impact, and therefore harm to, modified unit city carrier street costs of individual products.

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II. INTRODUCTION

On April 7, 2020, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports (Petition).¹ The Petition proposes to update city carrier shape variabilities for regular delivery by using the City Carrier Cost System (CCCS) volume shares of four regular delivery shapes (DPS, FSS, Sequenced, and Cased) mail. The new shape variabilities would replace the currently accepted regular delivery variabilities and would be inserted into Docket No. ACR 2020, CS06&7-Public-FY20.xlsx, CS06&7-NP-FY20.xlsx, “which would alter volume variable city carrier costs for nearly all products.” *Petition* at 8. The Postal Service proposes the Commission use this method to make similar substitutions into the relevant city carrier delivery files for subsequent ACR Filings until the Commission adopts a new City Carrier Delivery Model, and possibly use this method to update carrier delivery variabilities for any new city carrier, and perhaps other variability, models the Commission might adopt. *Id.* at 1.

Background. The Postal Service first justifies its proposal by pointing to the discrepancy between unit street time delivery costs between mail destinating in FSS Zones and mail destinating in non-FSS Zones. It states that

“the unit street time delivery cost for FSS Periodicals flats, at 10.69 cents, is 3.38 times as large as the 3.16 cent unit street time delivery cost for Periodicals flats delivered in non-FSS zones.”² *Petition* at 1.

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Two), April 7, 2020 (Petition). The Petition was accompanied by a study supporting its proposal. See, Professor Michael D. Bradley *A Methodology for Updating the City Carrier Regular Delivery Variabilities*, April 7, 2020 (Bradley Report). The Postal Service also filed a notice of filing of public and non-public materials relating to Proposal Two. Notice of Filing of USPS-RM2020-7-1 and USPS-RM2020-7-NP1 and Application for Nonpublic Treatment, April 7, 2020.

² The currently accepted marginal delivery time for DPS Mail is 2.1 seconds, Cased Mail is approximately 2.8 seconds, Sequenced Mail is approximately 2.6 seconds, FSS-shaped mail is approximately 5.2 seconds, and Collection Mail is approximately 5.8 seconds. See, Docket No. RM2015-7, USPS-RM2015-7/1 - Public Material Supporting Proposal Thirteen, *estim.variab.reg_del_time.lst*, filed December 11, 2014.

The Postal Service goes on to argue that “[t]his gap in unit costs is surprising because such a gap does not exist for the marginal times on which the costs are based.” Ibid.

Later, the Postal Service identifies alterations in the shares of the different shapes of regular delivery mail as the cause of the unit cost discrepancy between flats, which do, and do not, destinate in FSS Zones. Id., Table 1 at 3. It shows that the share of FSS and Sequenced Mail has declined, while the share of DPS Mail has increased, and concludes that not

“accounting for volume changes can lead to the calculation of inappropriate variabilities. If a particular type of mail’s volume has declined and the current variability calculation does not account for that decline, then its volume variable cost will be higher than it should be, leading to high calculated unit costs. Changes in the relative volumes of letter and flat mail create the need for a process of updating the regular delivery activity cost pools.” Petition at 2-3.

The Bradley Report provides the theoretical and mathematical justification for using shares of delivery shapes calculated using annual volume estimates of these shapes from the 2019 CCCS, to modify the mean values of regular delivery shapes (DPS’d Mail, Cased mail, Sequenced Mail, and FSS’d mail) which are subsequently used to update the variabilities of these regular delivery shapes.

III. JUSTIFICATIONS FOR UPDATING CITY CARRIER REGULAR DELIVERY VARIABILITIES

A. The Bradley Report Compares Unit Street Delivery Costs In FSS vs. Non-FSS Zones To Estimates Of Marginal Delivery Time By Shape

The Bradley Report begins by presenting the difference in unit street time delivery costs for several flat’s products which destinate in FSS and non-FSS Zones. Table 1, entitled “City Carrier Street Unit Costs,” compares the unit street time costs of delivering Periodical, Bound Printed Matter (BPM), Marketing Mail (MM), and Carrier Route Flats (CR), is reproduced below, with column C calculated by the Public Representative.

Table 1
City Carrier Street Unit Costs

Class, Shape or Rate Category	Destinating FSS Zones	Destinating Non-FSS Zones	Ratio A/B Calculated by PR
	A	B	C = A/B
Periodicals Flats	0.1069	0.0316	3.4
Bound Printed Matter Flats	0.0764	0.0453	1.7
USPS Marketing Mail Flats	0.1105	0.0325	3.4
Carrier Route Flats	0.1072	0.0382	2.8

Source: Bradley Report, Table 1 at 2.

The Report notes that for three of these flats' products (Periodicals, Marketing Mail and Carrier Route), their unit street time delivery costs are approximately three-times greater if they destinate in FSS Zones rather than Non-FSS Zones. The Report also notes that this difference is not justified by the slightly less than 2-fold marginal time difference between FSS Flats and Cased Mail, estimated by the currently accepted city carrier delivery model (5.2 v. 2.8 seconds – a ratio of 1.86). *Id.* at 2.³ The Report argues that this discrepancy justifies updating delivery variabilities, which may bring the ratio of unit street time costs for several flats products in FSS to non-FSS Zones, into closer alignment with the ratio of marginal delivery times of FSS to Cased Mail.

B. Disparities Between Unit Delivery Costs For Sub-Groups Of Individual Products And The Estimated Marginal Time To Deliver Different Mail Shapes Do Not Justify Updating Estimated Variabilities

The Bradley Report does not fully succeed in justifying the need to update regular city carrier delivery variabilities when it argues that the 3-fold unit delivery cost difference between certain flat products which destinate in FSS and Non-FSS Zones is out of alignment with the 1.86-fold difference in marginal delivery times between FSS Flats and Cased Mail.

³ The Postal Service's Filing does not explain why this comparison is made, but its Response to Chairman's Information Request No. 1, question 3, filed April 15, 2020, explains that the comparison between FSS and Cased Mail marginal time ratio is made because flat mail delivered in non-FSS Zones is cased.

Table 1 in the Bradley Report data is drawn from the “the FSS Delivery Model File,” FSSDeliveryModel19.New v2.xlsx,⁴ which shows unit street delivery costs of several flats products which destinate in FSS Zones and non-FSS Zones. However, unit street time costs shown in Table 1 include SPR, Regular Delivery Support, and Blue Box Collection costs. All of these costs should be excluded from the calculation of unit delivery cost, since they are not included in the Regular Delivery Cost Pool, nor is the time associated with these activities used to determine regular city carrier regular shape delivery variabilities.

A corrected comparison is shown in Table 2 below, which is based upon unit delivery costs, rather than unit street time costs. It shows that the ratio of Periodical, MM, BPM, and CR unit delivery costs in FSS Zones to Non-FSS Zones is between 1.8 and 2.1. These ratios are, at most, slightly greater, and lower for carrier route flats, than the 1.86 ratio of marginal FSS delivery time to marginal Cased Mail time.⁵

Table 2
City Carrier Unit Delivery Costs FY 2019

Class, Shape or Rate Category	Destinating FSS Zones	Destinating Non-FSS Zones	Ratio A/B
	(A)	(B)	C= A/B
Periodicals Flats	0.064	0.031	2.1
Bound Printed Matter Flats	0.048	0.043	1.1
USPS Marketing Mail Flats	0.066	0.031	2.1
Carrier Route Flats	0.065	0.036	1.8

Source: RM2020-7-1-PR-NP-LR1 Confidential Material Relating to Delivery and Collection Share Methods, PR FSSDeliveryModel19.Unit Delivery Costs.xlsx (PR FSS Delivery Model), Tab: “Summary,” Cells: L12:L15, L20:L23, filed May 22, 2020.

⁴ See, USPS-RM2020-7-1 - Public Material Relating to Proposal Two, FSSDeliveryModel19.New.v2.xlsx, Tab: “Summary,” Cells: L12:L15, L20:L23.

⁵ The Public Representative made the following modifications to the FSS Delivery Model, to remove SPR and Delivery Support Costs. First, he removed the SPR Costs from cells S4:S7, S12:S19 in tab “City_Calcs.” Then, he removed Delivery Support Costs from cells L4:L7, L12:L15, L20:L23 in tab “City_Calcs.” Lastly, he removed Blue Box Collection costs from cells M4:M7, M12:M19, in tab “City_Calcs.”

In other words, the ratio of the relevant flats unit delivery costs in FSS to non-FSS Zones is of the same magnitude as the ratio of FSS and Cased Mail marginal delivery times. These more appropriate ratios, do not justify modifying the letter route variability estimates the Commission adopted in RM2015-7.⁶

The Public Representative focused on the FSS Delivery Model, because he recommends the Commission refrain from relying on a comparison between the unit delivery costs this model calculates and marginal shape times, to determine whether or not city carrier variabilities should be updated. Had the Commission used the FSS Delivery Model when considering the letter route shape variabilities produced in RM2015-7, it would have rejected the proposed regular delivery model, since the ratio of unit street time costs in FSS zones was higher in FY 2015 than FY 2019 even though the marginal time to deliver mail shapes was the same as they were in ACR FY2019.⁷

Table 3
City Carrier Unit Street Time Costs FY 2015

Class, Shape or Rate Category	Destinating FSS Zones	Destinating Non-FSS Zones	Ratio A/B
	(A)	(B)	C=A/B
Periodicals Flats	0.09	0.03	3.2
Bound Printed Matter Flats	0.07	0.04	2.0
USPS Marketing Mail Flats	0.10	0.03	2.9
Carrier Route Flats	0.09	0.03	2.8

Source: Docket No. ACR FY2015, USPS-LR-L-19, FSS Delivery Model, Tab: "Summary," 2015; RM2020-7, RM2020-7-1-PR-NP-LR1 Confidential Material Relating to Delivery and Collection Share Methods, PR FSSDeliveryModel15 Del Costs Ratios.xlsx, Tab: "Summary," Cells: L12:L15, L20:L23, May 22, 2015.

IV. METHODS OF UPDATING CITY CARRIER SHAPE VARIABILITIES

The Bradley Report suggest another reason to update delivery shape variabilities, which also serves as the basis for updating them.

⁶ Docket No. RM2015-7, Order Approving Analytical Principles Used In Periodic Reporting (Proposal Thirteen), Order No. 2792, October 29, 2015.

⁷ The FSS Delivery Model was initially approved in Docket No. RM2015-17, Order No. 2839, November 25, 2015, and subsequently submitted by the Postal Service in its ACR FY2015 filing, several months after the Commission adopted the RM2015-7 delivery variabilities. See, PR Version of FSS Model for FY2015, in RM2020-7-1-PR-NP-LR1 Confidential Material Relating to Delivery and Collection Share Methods, PR FSSDeliveryModel15 Del Costs Ratios.xlsx.

“[t]he FY 2019 volume proportions are noticeably different from the study proportions, with the FY 2019 data showing an increase in the DPS mail proportion and declines in both the sequenced mail and FSS mail proportions. This shift has implications for calculated unit delivery costs, because the city carrier street time variabilities depend upon the volumes used to calculate them....[T]here is a direct relationship between a mail type’s volume and its corresponding variability. Not accounting for volume changes can lead to the calculation of inappropriate variabilities. If a particular type of mail’s relative volume has declined and the current variability calculation does not account for that decline, then its volume variable cost will be higher than it should be, leading to high calculated unit costs.” Id. at 3-4.

The Public Representative agrees that all variability models should be frequently updated if feasible data and updating methods are available, although the following discussion will take issue with the Bradley Report’s reliance on changes in the relative shares of delivery shape volumes as the only correct method of updating delivery shape variabilities.

A. USPS’ Regular Delivery Share Method

The Bradley Report develops an easy and accurate method to update the variabilities of the regular delivery shapes, originally estimated in RM2015-7. It notes that the average volume for any (shape) component... can be calculated by multiplying the component’s proportion (or share) of total letter and flat delivery volume (LFVol) by the overall average volume (i.e. the average of total regular delivery volume).” Id. at 8. The mathematical expression of the existing mean value for one shape, for example, Sequenced Mail is:

$$\bar{S} = \left(\frac{\overline{S_{CCSTS-2015}}}{\overline{LFVol_{CCSTS-2015}}} \right) \cdot \overline{LFVol_{CCSTS-2015}} \quad \text{Equation 1}$$

This formulation would yield the average or mean volume of each shape in the RM2015-7 city carrier street time study (CCSTS-2015). The next step is to substitute the volume share of each shape from the CCSTS-2015 with the volume share of each shape using annual volume estimates from the City Carrier Cost Study (CCCS) for

2019, and then multiplying this figure by the average total volume from the CCSTS-2015. Ibid. This yields an updated mean value for each delivery shape, which is constrained so that the sum of the updated means is equal to the sum of the CCSTS-2015 means. Id. at 9. The mathematical expression for an updated mean value for one shape, for example: Sequenced Mail (\tilde{S}) is:

$$\tilde{S} = \left(\frac{\overline{S_{CCCS19}}}{\overline{LFVol_{CCCS19}}} \right) \cdot \overline{LFVol_{CCSTS-2015}} \quad \text{Equation 2}$$

Once an updated mean is obtained, the final step in the Postal Service's Relative Share Method is to overwrite the CCSTS-2015 regular delivery shape means with the updated means, and run the accepted regular delivery model using the updated means. Using this method, the Bradley Report estimates the updated regular delivery shape means, marginal seconds, and variabilities, as shown in Table 4.

Table 4

USPS' Regular Delivery Share Method			
Delivery Volume, No Collection Volume, Used To Update Mean Values			
Mail Shape	Adjusted Mean	Marginal Seconds	Variability
DPS	33,210	1.94	17.23%
Cased	9,412	2.98	7.50%
Sequenced	3,132	2.87	2.40%
FSS	1,325	5.21	1.85%
Collection (Unadjusted Mean)	3,547	4.80	4.56%
Estimated Delivery Hours Per Zip-Day			103.74
Sources: ACR FY2019, USPS – LR 32, CS06&07.xlsx, Tab7.08, and USPS-RM2020-7-1 - Public Material Relating to Proposal Two, Calculate Variabilities With New Volume Proportions.sas			

Because this method updates mean values, but does not alter the ZIP-day data underlying the RM2015-7 CCSTS delivery model, it does not alter the parameter estimates obtained from the RM2015-7 CCSTS delivery model. Table 5 shows the same information from the Original RM2015-7 CCSTS study as Table 4 does for the Bradley Report's Updated Model.

Table 5

CCSTS RM2017-5 Results				
No Update – Original Results				
Mail Shape	Mean	Marginal Seconds	Variability	
DPS	30,600	2.07	16.76%	
Cased	9,443	2.79	6.99%	
Sequenced	4,898	2.61	3.38%	
FSS	2,138	5.21	2.95%	
Collection	3,547	5.75	5.41%	
Estimated Delivery Hours Per Zip-Day				104.83
Sources: Docket RM2015-7, USPS-RM2015-7/1 - Public Material Supporting Proposal Thirteen, estim_variab_reg_del_time.sas; and RM2020-7-1-PR-NP-LR1 Confidential Material Relating to Delivery and Collection Share Methods, Means_Sums_Ratios_Final.xlsx.				

B. Delivery and Collection Share Method

Another method which merits consideration is what the Public Representative terms the Delivery and Collection Share Method. It is the same as the Postal Service's Relative Share Method, except it calculates relative shape shares by including annual collection volumes estimates from the FY2019 CCCS. This alters the updated means for regular delivery shapes and updates the collection shape mean value. It can be compared with previous results by referring to Table 6.

Table 6

Delivery and Collection Share Method				
Delivery Volume & Collection Volume Used To Update Mean Values				
Mail Shape	Adjusted Mean	Marginal Seconds	Variability	
DPS	33,841	2.12	19.32%	
Cased	9,590	2.65	6.85%	
Sequenced	1,350	2.86	2.46%	
FSS	3,191	4.81	1.75%	
Collection (Adjusted)	2,653	5.26	3.76%	
Estimated Delivery Hours Per Zip-Day				103.07
Sources: USPS-RM2020-7-1 - Public Material Relating to Proposal Two, Means_Sums_Ratios.xlsx, and Update Variability Using CVolume Shares From B Papers.sas				

The Delivery and Collection Share Method is marginally superior to the Postal Service's Relative Delivery Shares' Method, because it updates Collection Volumes using data from the CCCS FY2019, the same reliable source reported in Table 4, above. Comparing the two sets of results, we see they estimate approximately the same amount delivery time per ZIP-day. DPS variability is 19.32 percent, approximately 2 percentage points higher. On the other hand, the variability of Cased Mail and Collection Mail is approximately 0.6 percentage points lower, and the variability of FSS Mail is nearly the same, but approximately 0.1 percentage points lower.

The Postal Service argued against using the CCCS to update the means of collection volume originally obtained from a special study as part of the Regular Delivery Model in the RM2015-7 CCSTS, which relied upon DOIS data to obtain regular delivery volumes. Response to CHIR4, question 1.⁸ It argues that because it "is confident that the relationship between two ongoing systems, DOIS and CCCS is sufficiently stable through time....[it is justified to] ... use of current CCCS delivered volume data in

⁸ It is not clear whether the CHIR Response is a clarification of the Bradley Report's argument, or a different argument. The CHIR Response stresses the inability of an analyst to know whether the CCCS can track a one-time special collection mail study performed in RM2015-7 CCSTS. In contrast, it argues the CCCS does track DOIS volumes, which were the source of regular delivery, but not collection volumes used as part of RM2015-7.

performing regular updates, because they mimic changes in DOIS delivered volumes. Ibid.

There is some merit to this argument. The rationale for using the Relative Shares' Method is based on the assumption that one may substitute each shape as a share of in delivery volume obtained in the CCCS FY2019 for the share of that shape in the RM2015-7 CCSTS. Put differently, the first term in the right hand side of equation 2 may be a reliable proxy for the first term in the right hand side of equation 1.

$$\left(\frac{\overline{S_{CCSTS-2015}}}{\overline{LFVol_{CCSTS-2015}}} \right) = \left(\frac{\overline{S_{CCCS19}}}{\overline{LFVol_{CCCS19}}} \right) \quad \text{Equation 3}$$

The Postal Service explains that the source of its confidence is that a large, but unspecified share, of the data used in the CCCS comes from the same machine counts used to construct the DOIS data base. Ibid. However, a substantial share of the CCCS volume still comes from the manually counted, probability sample of city carrier route-days.⁹ Machine counts used to populate the CCCS only pertain to DPS'd mail. Cased Mail, Sequenced Mail, FSS'd mail and Collection mail are still collected according to Commission approved procedures, based on the demonstrated reliability of the non-machine count portion of the CCCS.¹⁰ Without the reliability of the manual counts of non-DPS mail, the Postal Service would not have been able to use its Relative Shares' Method to update the RM2015-7 CCSTS variability estimates. The Commission has approved the reliability of the data obtained from this sample for many years. If the manually sampled portion of the CCCS were not reliable, the Public Representative

⁹ The Public Representative estimates that if 95 percent of DPS Mail is obtained from machine counts, the 2019 volume of manual CCCS counts would be 100%*(FSS+CM+Seq+CV) + 5%*(DPS). Using this formula, approximately 36 percent of mail would be manually counted and 64 percent would be digitally counted.

¹⁰ In fact, the Postal Service felt the need to obtain Commission approval to use machine counts of DPS'd mail to replace a large portion of DPS'd mail in the CCCS. It was only after the Commission found that the Postal Service's method "to link the ODIS-RPW data to CCCS mailcodes is reasonable," did it approve using machine counts of DPS'd mail to populate part of the CCCS. See, See Docket No. RM2017-13, Order No. 4278 - Order on Analytical Principles Used in Periodic Reporting (Proposal Nine), December 15, 2017, at 6-7.

doubts the Postal Service would be as confident that CCCS data could substitute for DOIS data. It would have certainly given the Commission pause if this were so.

The Bradley Report did not test to determine whether volume shape shares obtained from CCCS were consistently close to those that would have been obtained from DOIS over time. It could have, but did not, do so. The Public Representative maintains that the Postal Service did not need to engage in this exercise, not only because it believed the two data sources were reliable substitutes for each other, but also because the Commission had approved the reliability of both data sources, including the recent approval to rely on machine counts as part of the CCCS and RCCS.¹¹ The Commission has determined that the Postal Service reliably collects volumes from customer receptacles as part of the CCCS. In fact a special effort is made to include carrier collection mail as part of every quarterly CCCS sample.¹² The Public Representative maintains that the Postal Service's argument that, the data bases used to update RM2015-7 shape variabilities must be reliably linked to each other over time, is not substantiated, and the use of the CCCS really rests on the reliability accorded these data by means of Commission approval. Since the Commission has approved the reliability of CCCS collection volumes, they too are reliable.¹³

The Postal Service is implicitly attacking the reliability of the Special Collection Study which obtained collection volumes for the RM2017-5 CCSTS. If the special study was based on a statistically valid sample, and the CCCS is based on a statistically valid sample, they should be reliably linked to shifts in volume changes by shape. The Postal Service extolled the validity of the RM2015-7 collection study, maintaining it had a high response rate, little participation attrition, and very days for which imputing missing

¹¹ See Docket No. RM2017-13, Order No. 4278 - Order on Analytical Principles Used in Periodic Reporting (Proposal Nine), December 15, 2017 and Docket No. RM2018-4, Order No. 4712 - Order on Analytical Principles Used in Periodic Reporting (Proposal One), July 13, 2018.

¹² See, USPS-FY19-NP22_CCCS_Preface_Final.pdf at 3.

¹³ The Postal Service's argument that the manual portion of the CCCS is unreliable is simply not correct. See, Response to CHIR4, question 1. As explained earlier, approximately 36 percent of CCCS data are obtained using manual counts from the CCCS. Moreover, the CCCS, manual methodology is approved by the Commission to provide accurate estimates of volume, both delivery and collection.

collection volumes was not possible.¹⁴ The Commission agreed that the RM2015-7 special collection study was a large improvement over the R2005-1 study.¹⁵

The Commission needs to be aware of this implication residing at the heart of the Postal Service's criticism of the mismatch between the CCCS and the CCSTS collection volumes, for the import of this argument is to call into question the validity of the Postal Service's CCSTS collection study efforts. However, the Commission approved this study as being statistically valid, so if it accepts the Postal Service's position that the CCCS should not be used to update the collection volumes obtained in the RM2015-7 CCSTS, it is really rejecting a prior decision it made regarding the validity of the CCSTS collection volume sample. The Commission cannot tolerate the implication of this argument, unless it is prepared to retract the validity of the variability of the Collection Volume shape estimated in the RM2015-7 CCSTS.

The Postal Service's final argument against using shares of collection volumes to update collection volume means is not pertinent and should be rejected. It argues that even if collection volumes had been counted, and its mean value had been updated, doing so would not have changed the share of the mean of non-collection shapes to the mean value DPS Mail. Response to CHIR4, question 1. The argument is inapposite, because the issue is whether the collection volume mean would change if it were updated. The Postal Service's footnote shows that the collection volume mean would change if its CCCS 2019 volume were included in total volume. Consequently, the volume shares of all mail shapes (as would the share of each shapes mean as a percent of the sum of means) would change if collection volume were included in total volume.

¹⁴ See, Docket No. RM2015-7, USPS-RM2015-7/1 - Public Material Supporting Proposal Thirteen, Report on the City Carrier Street Time Study, at 32-34, December 11, 2014

¹⁵ See, Docket No. RM2015-7, Order Approving Analytical Principles Used In Periodic Reporting (Proposal Thirteen), Order No. 2792, at 43, October 29, 2015.

Table 7 illustrates this point.

Table 7

Updating The Collection Mean Reflects A Change in Relative Shares					
	Means		Shares		Percentage Point Difference
	No Update	Update	No Update	Update	
	A	B	C	D	
DPS Mail	33,841	33,210	66.8%	65.6%	1.2%
Cased Mail	9,590	9,412	18.9%	18.6%	0.4%
Sequenced Mail	3,191	3,132	6.3%	6.2%	0.1%
FSS Mail	1,350	1,325	2.7%	2.6%	0.0%
Collection Mail	2,653	3,547	5.2%	7.0%	-1.8%
Sum of Means	50,625	50,626			

Source: Docket No. RM2015-7, Response to CHIR4, question 1, fn. 7, filed, May 15, 2020.

C. Delivery And Collection Share Method Impact And Comparison To Impacts From The Postal Service's Regular Delivery Share Method

The Public Representative's Delivery and Collection Volume Relative Share's Method produced variabilities which differ from those produced by the Postal Service's Relative Delivery Share's Method. Table 8 compares the respective shape variabilities using Tables 6 and 4 above.

Table 8

Comparison USPS Method to PR Method				
Differences (PR - USPS)				
Mail Shape	Mean	Marginal Seconds	Variability Percentage Point Difference	
DPS	630.84	0.180	2.1%	
Cased	178.77	-0.327	-0.7%	
Sequenced	-1,781.36	-0.009	0.1%	
FSS	1,866.02	-0.398	-0.1%	
Collection	-894.27	0.467	-0.08%	
Estimated Delivery Hours Per Zip-Day				0.672

Table 8 shows that the updated DPS, Sequenced, and FSS means of the Delivery and Collection Share's Method differed from the Postal Service's Regular Delivery Share's

Method substantially, while marginal times were only slightly affected, and only the variability of DPS Mail was substantially affected. In spite of the notable DPS variability difference, City Carrier Unit Street Delivery Costs were nearly identical. Only Single Piece Flats and Retail Ground Service were notably different, each having a 1 cent lower unit cost than the unit costs produced using the Regular Delivery Share's Method. All of the discussion about the new FSS Model and Unit Cost Changes in the Bradley Report, should apply to the Public Representative's Delivery and Collection Share's Method, with the exception of Single Piece Flats and Retail Ground Service. See, Bradley Report, at 15-18. Table 9 compares the unit cost differences between the two methods.

Table 9
Unit Cost Change Comparison Of Regular Delivery To The
Regular Delivery And Collection Share Methods

Product	USPS Method	PR Method	Difference
First-Class Mail			
Single-Piece Letters	\$0.099	\$0.094	\$0.00
Single-Piece Cards	\$0.118	\$0.113	-0.004
Presort Letters	\$0.040	\$0.041	0.003
Presort Cards	\$0.035	\$0.035	0.003
Single-Piece Flats	\$0.229	\$0.222	-0.009
Presort Flats	\$0.180	\$0.177	-0.004
USPS Marketing Mail			
High Density and Saturation Letters	\$0.042	\$0.041	0.002
High Density and Saturation Flats/Parcels	\$0.067	\$0.055	-0.008
Every Door Direct Mail-Retail	\$0.059	\$0.049	-0.001
Carrier Route Letters	\$0.120	\$0.113	-0.004
Letters	\$0.041	\$0.041	0.004
Flats	\$0.174	\$0.168	-0.004
Parcels	\$0.385	\$0.383	-0.001
Periodicals	\$0.109	\$0.104	-0.003
Package Services			
Bound Printed Matter Flats	\$0.138	\$0.136	-0.004
Bound Printed Matter Parcels	\$0.271	\$0.271	-0.000
Media/Library Mail	\$0.321	\$0.318	-0.004
US Postal Service	\$0.164	\$0.166	0.000
Free Mail	\$0.142	\$0.143	-0.000
Total Domestic Competitive Mail and Services	\$0.363	\$0.361	-0.002
Total International Mail And Services	\$1.024	\$1.025	-0.001

Source: Docket No. RM2020-7, PR-NP-LR1, Confidential Material Relating to Delivery and Collection Share Methods, PR NP Calculate Unit Carrier Cost with New Variabilities Collection Final.xlsx

D. Directly Updating Means of Volume and Control Variables Method From Recent DOIS Data

The Commission ordered the Postal Service to provide an expanded dataset of city carrier delivery data, including DOIS data which contained a substantial number of observations of regular delivery volumes.¹⁶ The Postal Service has now submitted four data filings, which include data for each of the 12 consecutive calendar months, for 1 randomly drawn regular workweek from the expanded set of ZIP-Code-days served by regular city carriers. This expanded dataset includes volume data for all explanatory variables, which were used to estimate the regular delivery model in RM2015-7,¹⁷ except for collection volumes.

Although these data do not contain collection volumes, they could be used to directly update the mean values of both the explanatory volume variables and all of the control variables used to estimate the RM2015-7 CCSTS regular delivery model. Control variables capture important aspects of current operations, such as ZIP Code density, the share of business routes in a ZIP Code, the share of motorized routes in a ZIP Code, and the number of possible delivery points in a ZIP Code. If important operational conditions have changed, this method would capture many of the changes. This would be the main advantage of using this method to update regular delivery city carrier variabilities.

The basic method involves determining the mean values of volume variables and control variables used in the RM2015-7 CCSTS, using DOIS Data. The means could be updated using all of the data provided by the Postal Service's response to Interim Order

¹⁶ Docket No. PI2017-1, Inquiry Concerning City Carrier Costs, Interim Order No. 4869, filed November 2, 2018.

¹⁷ See, USPS-PI2017-1/NP2 - Nonpublic Material Provided With Second Status Report, filed July 31, 2019, USPS-PI2017-1/NP3 - Nonpublic Material Provided With Third Status Report, filed October 24, 2019, USPS-PI2017-1/NP4 - Nonpublic Material Provided With Fourth Status Report, filed January 22, 2020, and USPS-PI2017-1/NP5 - Nonpublic Material Provided With Fifth Status Report, filed February 27, 2020.

No. 4869, or by limiting the data to twelve days near the study dates of the RM2015-7 CCSTS regular delivery model.

Once updated means for volume and control variables are calculated, the analyst would overwrite any duplicate means from the RM2015-7 regular delivery model, in the same manner as the Postal Service has done, namely by substituting the updated mean values in the variability update program at the file termed "regmean."¹⁸

The Public Representative is not filing the results of these programs because the data are preliminary and were submitted in a PI2017-1, rather than this docket. Nevertheless, it would be a valuable exercise to examine the results of this method. Doing so could simultaneously help choose among the models submitted by the Postal Service and the Public Representative. This method might also serve as an alternate method of updating city carrier variabilities in the future, using subsequent DOIS data.

Respectfully Submitted,

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¹⁸ See, USPS-RM2020-7-1, Public Material Supporting Proposal Two, at 2.