

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 Four)

Docket No. RM2020-11

NOTICE OF PROPOSED RULEMAKING ON ANALYTICAL PRINCIPLES
USED IN PERIODIC REPORTING (PROPOSAL FOUR)

(Issued July 16, 2020)

I. INTRODUCTION

On July 13, 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.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Four.

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), July 13, 2020 (Petition). The Postal Service also filed a notice of non-public materials relating to Proposal Four. Notice of Filing of USPS-RM2020-11-NP1 and Application for Nonpublic Treatment, July 13, 2020.

II. PROPOSAL FOUR

Background. Proposal Four relates to the methodology used in International Cost and Revenue Analysis (ICRA) reporting to distribute international mail settlement expenses to international mail categories. Petition, Proposal Four at 1. The Postal Service reports outbound settlement costs in two General Ledger accounts: account no. 53298 (INTERNATIONAL-FOREIGN POST EXPENSE (OTHER)) and account no. 53299 (INTERNATIONAL-FOREIGN POST EXPENSE (AIR)). *Id.* Currently, the Postal Service applies a single benchmark factor to all of the products and sub-products in each of these two accounts. *Id.* The Postal Service also filed a detailed assessment of the impact of the proposal on particular products in a non-public attachment accompanying this proposal.²

Proposal. The Postal Service's proposal seeks to replace the existing methodology which uses a single benchmark factor for each account with an approach that benchmarks to eight product and sub-product categories within the two settlement expense accounts. Petition, Proposal Four at 1-2. The Postal Service states that the proposal would use additional Foreign Postal Settlement (FPS) mail category item-and weight-component expense data to develop these benchmarks. *Id.* at 1. The Postal Service avers that the structure for more detailed benchmarking already existed in the ICRA but required more detailed information that is now available from FPS. *Id.* at 3.

Rationale and impact. The Postal Service contends that the proposed methodology will improve ICRA reporting by providing "a finer level of mail category detail." *Id.* at 2. The Postal Service states that the proposed methodology "eliminates the need to use single account-level factors to benchmark the expense amounts across all mail categories[,]" and instead uses additional FPS data to report settlement expenses that are "directly related" to the eight product and sub-product categories in the two outbound settlement expense accounts. *Id.*

² See Library Reference USPS-RM2020-11-NP1.

The Postal Service states that the proposed methodology would shift \$7 million of expenses in FY 2019 from market dominant to competitive products. *Id.* The Postal Service characterizes this impact as “relatively modest.” *Id.*

III. NOTICE AND COMMENT

The Commission establishes Docket No. RM2020-11 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission’s website at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Four no later than August 14, 2020. Pursuant to 39 U.S.C. 505, Gregory Stanton is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. RM2020-11 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), filed July 13, 2020.
2. Comments by interested persons in this proceeding are due no later than August 14, 2020.³

³ The Commission reminds interested persons that its revised and reorganized Rules of Practice and Procedure became effective April 20, 2020, and should be used in filings with the Commission after April 20, 2020. The new rules are available on the Commission’s website and can be found in Order No. 5407. Docket No. RM2019-13, Order Reorganizing Commission Regulations and Amending Rules of Practice, January 16, 2020 (Order No. 5407).

3. Pursuant to 39 U.S.C. 505, the Commission appoints Gregory Stanton to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Erica A. Barker
Secretary