

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

**Periodic Reporting
(Proposal Seven)**

Docket No. RM2021-1

**COMMENTS OF THE PARCEL SHIPPERS ASSOCIATION
ON NOTICE OF PROPOSED RULEMAKING ON
ANALYTICAL PRINCIPLES USED IN PERIODIC REPORTING
(PROPOSAL SEVEN)
(March 8, 2021)**

The Parcel Shippers Association (PSA) appreciates the opportunity to comment in response to PRC Order No. 5756¹ on the United States Postal Service's (Postal Service) proposal for estimating the variability of costs with respect to changes in capacity for Christmas and Dynamic Route Optimization (DRO) purchased highway transportation routes.²

This costing rulemaking provides another example of the joint efforts of Postal

¹ Order No. 5756, Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Seven) (November 18, 2020).

² Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Seven) (November 9, 2020) (USPS Petition).

Regulatory Commission (PRC) and the Postal Service to foster improvements in postal costing methods over time. It also demonstrates the Postal Service's research efforts related to seasonality of costs. Since the enactment of the Postal Accountability and Enhancement Act (PAEA), there have been over 70 dockets at the Commission related to costing and costing methodologies, over 60 of which were initiated by the Postal Service. As we've noted previously, we support these efforts to improve Postal Service costing and the Commission's procedures for thoroughly vetting such proposals.³ This proposal is particularly timely given the increasing importance of Christmas and DRO routes, costs for which totaled \$677 million in FY 2019. USPS Petition at 2, 4.

PSA has reviewed the instant proposal and agrees with the Postal Service and United Parcel Service (UPS) that it is an improvement over current methods and should be approved. We also encourage the Postal Service, as suggested by UPS,⁴ to investigate opportunities to improve the distribution keys and capacity-to-volume variabilities used for Christmas and DRO routes as part of its ongoing research agenda to continuously improve the costing system in compliance with the law, Commission rules, and economic principles. That investigation, however, is completely immaterial relative to the \$11.2 billion FY 2020 collective contribution of competitive products and multi-billion-dollar contribution of each of the three major domestic package products. It should be done at a later time.

³ See Docket No. RM2020-9, Comments of the Parcel Shippers Association (December 15, 2020); Docket No. RM2017-3, Comments of the Parcel Shippers Association (February 3, 2020), Docket No. RM2018-6, Parcel Shippers Association Comments on Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Three) (June 29, 2018); Docket No. RM2017-1, Comments of the Parcel Shippers Association (April 16, 2018).

⁴ Initial Comments of United Parcel Service, Inc. on Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Seven) (February 26, 2021) (UPS Comments), at 2, 17.

Table 1. FY 2020 Competitive Products Financials (\$ in Billions)

	Revenue	Cost	Contribution
Competitive Products	\$30.6	\$19.4	\$11.2
Major Domestic Package Products			
Priority Mail	\$11.5	\$8.3	\$3.2
First-Class Package Service	\$6.2	\$3.9	\$2.3
Ground*	\$9.2	\$4.7	\$4.5
Source: Docket No. ACR2020, USPS-FY20-1, Public_FY20CRARReport.Rev.2.22.21.xlsx			
* Primarily Parcel Select			

We, however, strongly oppose UPS’s interim proposal to attribute *all* Christmas and DRO costs to competitive products. This proposal is wrong and falls far short of the statutory requirement that cost attribution be based upon “reliably identified causal relationships.” 39 U.S.C. 3622(c)(2). This proposal would be justified only if all volume being transported on Christmas and DRO routes were competitive, an implausibility. Just as packages, as well as mail, are transported on “regular” routes, it is near certain that a substantial volume of mail, as well as packages, is transported on Christmas and DRO routes. Indeed, UPS concedes this admitting that these Christmas and DRO costs are “largely” (but not entirely), attributable to competitive products. UPS Comments at 18.

In support of its proposal, UPS cites to the previously-adopted interim approach of attributing 100 percent of Sunday Delivery Special Purpose Route costs to competitive products. UPS Comments at 14, footnote 33. Sunday Delivery, however, should not be viewed as precedential here. In that instance, there was substantial evidence that essentially all volumes delivered on Sunday were competitive, a unique circumstance that is unlikely to be the case with any frequency in the combined postal network.⁵

PSA supports the Postal Service’s proposal for estimating the cost-to-capacity variabilities of Christmas and DRO routes and encourages the Commission to approve it. However, we strongly oppose proposals, such as UPS’s proposal to attribute all Christmas and

⁵ See Docket No. ACR2020, USPS-FY20-32, CS06&7-Public-FY20.xlsx, “Outputs to CRA”, column H (Sunday/Holiday Delivery).

