

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

Before Commissioners:

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

Periodic Reporting  
(Proposal Four)

Docket No. RM2021-7

ORDER ON ANALYTICAL PRINCIPLES USED IN PERIODIC REPORTING  
(PROPOSAL FOUR)

(Issued September 30, 2021)

I. INTRODUCTION

On July 22, 2021, the Postal Service filed a petition pursuant to 39 C.F.R. § 3050.11, requesting that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports.<sup>1</sup> Proposal Four seeks to replace the current system used to distribute delivery costs for Special Purpose Routes (SPRs), which relies on manual data collection, with a revised system that replaces manual sampling with scan data from Product Tracking

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<sup>1</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles, July 22, 2021, at 1 (Petition). The proposal is attached to the Petition (Proposal Four). See *also* Notice of Filing of USPS-RM2021-7-NP1 and Application for Nonpublic Treatment, July 22, 2021 and the attachment submitted with the Petition, "RM2021-7\_SPCCS\_Attachmnt.zip" (Petition Attachment).

and Reporting (PTR) using clock rings from the Time and Attendance Collection System (TACS). Petition, Proposal Four at 2. This replacement system is labelled as the Special Purpose Carrier Cost System (SPCCS). *Id.* For the reasons discussed below, the Commission approves Proposal Four.

## II. PROCEDURAL HISTORY

On July 27, 2021, the Commission issued a notice initiating this proceeding, providing for the submission of comments, and appointing a Public Representative.<sup>2</sup> Chairman's Information Request (CHIR) No. 1 was issued on August 6, 2021.<sup>3</sup> The Postal Service responded to CHIR No. 1 on August 12, 2021.<sup>4</sup> United Parcel Service, Inc. (UPS) filed a motion requesting access to non-public materials under protective conditions on August 20, 2021.<sup>5</sup> The Public Representative filed comments on August 23, 2021.<sup>6</sup> The Postal Service filed a motion for leave to file reply comments regarding Proposal Four on August 30, 2021.<sup>7</sup> The Postal Service filed reply comments and a non-public library reference on August 30, 2021.<sup>8</sup> The Commission issued Order No. 5971 granting the UPS motion for access to non-public materials on August 30, 2021.<sup>9</sup>

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<sup>2</sup> Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Four), July 27, 2021 (Order No. 5945).

<sup>3</sup> Chairman's Information Request No. 1, August 6, 2021 (CHIR No. 1).

<sup>4</sup> Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 1, August 12, 2021 (Response to CHIR No. 1).

<sup>5</sup> United Parcel Service, Inc.'s Motion Requesting Access to Non-Public Materials Under Protective Conditions, August 20, 2021.

<sup>6</sup> Comments of the Public Representative, August 23, 2021 (PR Comments).

<sup>7</sup> Motion of the United States Postal Service for Leave to File Reply Comments Regarding Proposal Four, August 30, 2021 (Motion for Leave to Reply). The Motion for Leave to Reply is granted.

<sup>8</sup> Reply Comments of the United States Postal Service Regarding Proposal Four, August 30, 2021 (Postal Service Reply Comments). Notice of Filing of USPS-RM2021-7-NP2 and Application for Nonpublic Treatment, August 30, 2021.

<sup>9</sup> Order Granting Motion for Access to Non-Public Materials, August 30, 2021 (Order No. 5971).

CHIR No. 2 was issued on September 1, 2021.<sup>10</sup> The Postal Service filed its response to CHIR No. 2 and a supporting non-public library reference on September 8, 2021.<sup>11</sup>

### III. BACKGROUND

Under the current methodology, SPR city carrier cost pools are distributed using factors developed from a subsystem of the City Carrier Cost System (CCCS) known as the CCCS-SPR. The Commission approved the use of the CCCS-SPR to develop SPR distribution factors in Docket No. RM2009-10 and the CCCS-SPR has been used for this purpose since Fiscal Year (FY) 2009.<sup>12</sup>

The CCCS-SPR estimates utilize manual sampling. Petition, Proposal Four at 2. However, disruptions caused by the COVID-19 pandemic during Quarter 3 of FY 2020 forced the Postal Service to use scan data from the PTR system to replace sample data for 39 CCCS-SPR tests.<sup>13</sup> This experience led the Postal Service to investigate whether scan data could be leveraged in place of manual CCCS-SPR data.<sup>14</sup>

The Postal Service asserts that the adoption of scanning technology “provide[s] the opportunity to replace manual data collection, formerly required for product identification, with data that are automatically collected in the normal course of operations.” Petition, Proposal Four at 1. The Postal Service notes that “[a]ll parcel products now have barcodes, either domestic Intelligent Mail package barcode (IMpb) or international customs barcodes, that provide sufficient information such that the

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<sup>10</sup> Chairman’s Information Request No. 2, September 1, 2021 (CHIR No. 2).

<sup>11</sup> Responses of the United States Postal Service to Questions 1-6 of Chairman’s Information Request No. 2, September 8, 2021 (Response to CHIR No. 2). Notice of Filing of USPS-RM2021-7-NP3 and Application for Nonpublic Treatment, September 8, 2021.

<sup>12</sup> Docket No. RM2009-10, Order on Analytical Principles Used in Periodic Reporting (Proposals Three through Nineteen), November 13, 2009, at 12-13 (Order No. 339).

<sup>13</sup> Docket No. ACR2020, Library Reference USPS-FY20-34, December 29, 2020, file “USPS-FY20-34\_CCCS\_Preface.pdf,” at 26.

<sup>14</sup> Office of Inspector General United States Postal Service, City Carrier Cost System, Audit Report Number 21-036-R21, July 14, 2021, at 10 (2021 OIG Audit Report).

specific product can be identified” and that “carriers reliably scan parcels upon delivery.” *Id.*

The Postal Service also notes that the Commission has approved the use of PTR and TACS data in other contexts. *Id.* In Docket No. RM2018-5, the Commission approved the use of TACS workhours to develop Sunday/holiday city carrier costs, and the use of PTR scan data to distribute those costs.<sup>15</sup> The Commission also approved updated regular and Sunday/holiday variabilities estimated from econometric models that incorporated TACS and PTR scan data in Docket No. RM2019-6.<sup>16</sup>

#### IV. PROPOSAL FOUR

Proposal Four seeks to replace the CCCS-SPR sampling subsystem, which is currently used to develop distribution factors for SPR city carrier cost pools, with a system known as the SPCCS. The Postal Service contends that the SPCCS will accomplish two objectives: (i) replacing the manual sampling used by the CCCS-SPR sampling subsystem with scan data from the PTR and clock rings from the TACS; and (ii) separating the weekday SPR cost pool into peak and non-peak cost pools with distinct distribution factors. Petition, Proposal Four at 2. Specifically, the proposal uses PTR delivery scans that occur during samples of time blocks when a city carrier is clocked to selected MODS Operation Codes that are specific to SPRs.<sup>17</sup> The Postal Service contends that Proposal Four “continues the momentum of using operational data in product costing by selecting a stratified sample of employee time segments from TACS and matching them with delivered mailpiece scan data from PTR, in much the

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<sup>15</sup> Docket No. RM2018-5, Order Approving in Part Proposal Two, January 8, 2019, at 29-30 (Order No. 4972).

<sup>16</sup> Docket No. RM2019-6, Order on Analytical Principles Used in Periodic Reporting (Proposal One), January 14, 2020, at 41 (Order No. 5405).

<sup>17</sup> *Id.* The time blocks are stratified by a number of attributes: the route subcategory (parcel, combination, LDC 24, or other), the carrier subcategory (Full-Time or Part-Time), and the duration of the time block (whether the LDC 23/24 hours in the day totaled less than or more than 4 hours). *Id.* See Petition Attachment, folder “RM2021-7\_SPCCS,” PDF file “SPCCS\_System\_Documentation.pdf,” at 2-3 (SPCCS Documentation).

same way as in the recent SPR Study approved in Docket No. RM2019-6.” Petition, Proposal Four at 4 (footnote omitted).

Additionally, the Postal Service intends to utilize a larger sample size under the SPCCS than the current system. *Id.* The SPCCS is an “ongoing system” that samples PTR data from all SPR deliveries on weekdays instead of sampling data from only four specific weeks of the year, as is the case for the CCCS-SPR. *Id.* The Postal Service asserts that it is not currently feasible to use a census of operational data because of computer resource limitations. *Id.* However, the Postal Service states that Proposal Four would expand the sample of observations from approximately 1,000 to 26,000.<sup>18</sup>

Furthermore, the proposal would separate the weekday SPR cost pools and distribution factors into peak and non-peak pools. The Postal Service states that the current CCCS-SPR system was not designed to estimate separate peak and non-peak distribution factors. Petition, Proposal Four at 5. The Postal Service also notes that “because CCCS-SPR samples route-days that are selected based on the previous quarter, not the previous year, routes that are utilized only during peak season are often not included in the samples generated for Q1.” *Id.* For this reason, the Postal Service avers that “there are insufficient data to generate a separate estimate for peak season” under the CCCS-SPR. *Id.* In contrast, the Postal Service states that the SPCCS “enables collection of enough data to estimate separate distribution factors for peak and non-peak time periods.” *Id.* at 4.

The Postal Service states that the addition of separate peak and non-peak cost pools and their respective distribution keys also requires the disaggregation of volume variabilities used for the SPR Monday through Saturday cost pool. *Id.* at 3. The Postal Service proposes that “[i]nstead of combining the four time periods together to obtain one Monday through Saturday variability, the volume variability estimated using the

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<sup>18</sup> *Id.* “The Postal Service proposes to sample 2,000 carrier-days for each month of January through November, and 4,000 carrier days in December. The larger number for December enables greater precision for separate estimates for peak season. The total number of carrier days, 26,000 per year, is constrained by limitations on computation resources.” Response to CHIR No. 1, question 2.

December data would stand alone for the Monday through Saturday peak SPR cost pool.”<sup>19</sup> Correspondingly, the variabilities estimated using the March, June, and September data would be combined to obtain a single volume variability for the Monday through Saturday non-peak SPR cost pool.<sup>20</sup> The Postal Service also proposes to update the hours used to weight the non-peak variabilities annually. Petition, Proposal Four at 3.

In its Response to CHIR No. 1, the Postal Service clarified several elements of Proposal Four, including the associated cost savings, the stratification strategy, its classification of observations, its calculation of coefficients of variation (CVs), its estimation of distribution factors for peak and non-peak periods, its sampling strategy, and its relatively large impact on the unit costs for Parcels and Collect on Delivery (COD) service that were previously hard to sample through the CCCS-SPR. In its Response to CHIR No. 2, the Postal Service further clarified its ability to collect data on mailpieces with and without barcodes, provided supporting documentation and sources for the workbooks and tables produced in the Petition, and responded to data quality concerns posed by the Public Representative.

In terms of impact, Proposal Four would have resulted in a decrease in unit costs for total domestic market dominant services by \$0.014, a decrease of \$0.003 for total international mail and services, and an increase of \$0.015 in the unit cost of USPS marketing mail parcels in FY 2020. The most significant change is a decrease of \$0.174 for COD services. *Id.* at 7. The Postal Service reports that Proposal Four would

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<sup>19</sup> *Id.* at 3 (emphasis omitted). In Docket No. RM2019-6, the current SPR Monday-Saturday variabilities were based on data that “were obtained and processed for the third week (for which there were no holidays in any of the months) of June, September, and December 2017 and March 2018.” See Docket No. RM2019-6, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal One), June 21, 2019, A New Study of Special Purpose Route Carrier Costs, PDF file “SPR.Public.Study.Report.pdf,” at 24. No changes are proposed in Proposal Four for combining the variabilities among small and regular SPR sites as directed by the Commission in Docket No. RM2019-6. All equations and variabilities will remain the same.

<sup>20</sup> *Id.* In the current methodology, the volume variable hours is based on the weighting implicit in the original FY 2018 SPR hours used in Docket No. RM2019-6. Postal Service Reply Comments at 6.

result in an increase of \$0.6 million in the total attributable costs for domestic competitive mail and services and a decrease of \$5.7 million in the total attributable costs for domestic market dominant mail and services in FY 2020.<sup>21</sup> The overall impact on attributable costs for domestic products and services is a decrease of approximately \$5.1 million. *Id.*

## V. COMMENTS

*Public Representative.* The Public Representative agrees with the Postal Service that, overall, Proposal Four and the SPCCS would be an improvement on the current methodology and the CCCS-SPR. PR Comments at 3. Specifically, she cites the fact that the CCCS-SPR often does not include routes that are utilized only in the peak season in the samples generated for Q1 because it only samples route days that are selected based on the previous quarter. *Id.* The Public Representative also agrees with the Postal Service that the SPCCS would better capture *ad hoc* low-workhour SPRs because “[s]uch routes are difficult to sample” in the CCCS-SPR, which requires scheduling data collection days in advance but cannot predict the days when such routes are operating. *Id.*; Response to CHIR No. 1, question 1.b. Nevertheless, the Public Representative poses four areas of concern, which she asserts “require clarification and further support.” PR Comments at 3.

First, the Public Representative questions whether the quality of the PTR data is sufficient to provide reliable estimates of the distribution factors for allocating SPR costs. In support, the Public Representative references “the percentage of carrier days with missing and/or incomplete PTR data (such that no mail products are coded for the sampled carrier-day)[,]” as well as other analyses. *Id.* at 8. The Public Representative notes that 358, or 17.9 percent, of the 2,002 carrier-days selected for sampling in October 2019 appear to be missing PTR data, and the SPR TACS workhours for these

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<sup>21</sup> Petition Attachment, folder “RM2021-7\_SPCCS,” subfolder “Workbooks,” Excel file “SPCCS\_CostImpact\_Final\_Public.xlsx,” tab “Summary SPR-PTR.”

carrier-days cannot be linked to mail product samples.<sup>22</sup> The Public Representative notes that the missing PTR data is more concentrated in the low work hours strata. PR Comments at 4. The Public Representative also observes that there are several SPCCS carrier-days for which there are relatively few PTR scans given the amount of TACS workhours attributed to the carrier-day. *Id.* at 6. The Public Representative notes that the SPCCS system documentation states that the PTR data represent “all mailpieces that had delivery or attempted delivery scans during the time segments that selected employees were clocked to LDC 23/24 operations.” *Id.* (citing SPCCS Documentation at 4) (emphasis removed). The Public Representative also notes that for several SPCCS carrier days, the total TACS hours shown do not align with the recorded PTR event times of all mailpieces. *Id.* The Public Representative argues that these instances suggest that not all mailpieces associated with a carrier-day may have been “captured, linked or recorded in the PTR dataset,” and the Public Representative suggests some type of adjustment may be necessary to account for the omitted mailpieces. *Id.* at 7. The Public Representative notes that the on-site data collectors used in the current methodology “provide more assurance that ‘all mail’ is being captured” per day and is weighted appropriately to represent the total mailpieces and volume for the sampled SPR route-day. *Id.*

Second, the Public Representative cites several operational concerns discussed in a Postal Service Office of the Inspector General (OIG) audit report that considered expanded use of scan data in SPR sampling. In that report, the Postal Service OIG indicated that the Postal Service planned to assess several operational matters prior to filing the instant methodology proposal. 2021 OIG Audit Report at 10. Specifically, the

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<sup>22</sup> *Id.* at 4. The SAS dataset included with the Petition only includes data for October 2019. Petition Attachment, folder “RM2021-7\_SPCCS,” subfolder “Data,” SAS dataset “spccs\_z\_public\_fy20q1oct.sas7bdat” (PTR Dataset). The Public Representative refers to this dataset as a “simulation sample data set” because the Postal Service based its impact calculations on data for all of FY 2020 but did not provide the underlying data. PR Comments at 11, n.22. The Postal Service notes that these data are actual PTR and TACS data, not simulation data. It also provides the full year of FY 2020 SPCCS data under seal. Postal Service Reply Comments at 10; Library Reference USPS-RM2021-7/NP2, August 30, 2021.



Postal Service intended to assess whether: (i) city carriers were properly logged into their scanning devices, (ii) city carriers were clocked into the correct labor distribution code, and (iii) there is an ability to collect data on mailpieces without a barcode, among other things. *Id.* The OIG concluded that “[i]f these operational matters have a material impact on the reliability of the scan data, expanded use of that data for CCCS-Special Purpose Route sampling may not improve the precision of cost estimates.” *Id.*

The Public Representative concurs with the report. PR Comments at 8. In her view, “[i]t would improve transparency if the Postal Service provided more specific information regarding its ability to collect data on mailpieces without a barcode and if it explained what, among other things, it has investigated regarding the SPCCS.” *Id.* at 8 (internal quotations omitted).

Third, the Public Representative concludes the Postal Service’s proposal to separate peak and non-peak cost pools, create two separate distribution keys for said cost pools, and disaggregate the variabilities developed in Docket No. RM2019-6 appears “reasonable.” *Id.* at 9. However, the Public Representative suggests that the Postal Service “reevaluate annually the data periods and/ or expand the data periods used in the Docket No. RM2019-6 variability analysis, rather than depend on an annual workhours weighting methodology.” *Id.*

Fourth, the Public Representative suggests that the Postal Service should “be required to provide more complete documentation.” *Id.* (footnote omitted). Specifically, she suggests the Postal Service include the actual accrued hours used to weight the disaggregated variabilities in its Annual Compliance Report (ACR) filing. *Id.*

Furthermore, the Public Representative states that the Postal Service should “provide the data used to create its key inputs and explain in detail how its estimates were derived,” in this docket and future dockets. *Id.* at 11. The Public Representative also notes that mailpieces assigned to Management Operating Data System (MODS) operation code 746 may have been inadvertently omitted from the Postal Service’s PTR

Dataset.<sup>23</sup> Additionally, the Public Representative points to several variables in the PTR Dataset for which no documentation was provided. *Id.*

*The Postal Service.* The Postal Service filed reply comments to address the issues raised by the Public Representative, contending that “nothing presented by the Public Representative should deter the Commission from prompt implementation of Proposal Four.” Postal Service Reply Comments at 1.

First, the Postal Service states that instances of SPR time without matching PTR scans do not constitute missing data or unreliable PTR scanning, but instead reflect the fact that SPR carriers do other things besides delivery, which would not be associated with PTR scans, such as collecting mail from street letter boxes and transporting relay mail to transfer boxes on foot routes. *Id.* at 1-2. Furthermore, the Postal Service argues that the instant proposal is consistent with the SPR Proposed Study in Docket No. RM2019-6, which “also exhibited a relatively large percentage of clock-ring begin- and end-segment pairs where there were no scans, approximately 38 percent.”<sup>24</sup> The Postal Service also refers to CCCS-SPR FY 2020 results, in which there were “87 tests out of 915, or 10 percent, where the data collector conducting a manual test verified that there was no delivery volume even though carriers had clocked to LDC 23.” *Id.* The Postal Service explains that this percentage is lower than the 17.9 percent cited by the Public Representative for two reasons. First, there is a difference in the sampling unit between the CCCS-SPR, the route-day, and SPCCS, carrier-day. The Postal Service notes that “[w]hen multiple carriers are clocked to the same route, but some do not scan, then SPCCS will record some zero-volume carrier-days, while CCCS-SPR would not record a zero-volume route-day as long as there were scans from at least one carrier.” *Id.* at 3. The Postal Service specifies that this can happen if two carriers are

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<sup>23</sup> *Id.* at 10. MODS operation code 746, LDC 23 is described as “[w]orkhours of carriers used for same day delivery of parcels.” Docket No. ACR2020, Library Reference USPS-FY20-7, December 29, 2020, folder “USPS-FY20-7,” file “Appendix\_A\_OperDefin\_AUG\_2020.docx,” at 81.

<sup>24</sup> *Id.* at 2 (citing Docket No. RM2019-6, Responses of the United States Postal Service to Questions 1-12 of Chairman’s Information Request No. 3, August 12, 2019, question 11).

working together, sharing one scanner, to make deliveries on very high-volume delivery days, or when multiple carriers clock to a default SPR route number for the office, such as “000.” *Id.* Second, the SPCCS includes low-workhour days, while CCCS-SPR does not, and “[i]ncorporation of these very low workhour carrier-days will tend to increase the percentage of zero-volume tests relative to CCCS-SPR.” *Id.* The Postal Service concludes that “the percentage of zero-volume carrier-days from SPCCS is consistent with the data from CCCS-SPR and from the SPR Study, and there is no evidence of significant under-reporting of volumes.” *Id.*

Second, the Postal Service provides its assessment of the operational matters identified in the 2021 OIG Audit Report. *Id.* at 3-4. The Postal Service states that while logging and scanning errors “could affect the SPCCS estimates of total volume, they would not affect the distribution factors that are used for costing, since, on average, these would affect the estimated volumes for all products equally.” *Id.* at 4. With regard to mailpieces without barcodes, the Postal Service determined that “the contribution to unit costs from CCCS-SPR was less than \$0.0002 for each of these products,” which the Postal Service argues is *de minimis*. *Id.* The Postal Service concludes that “[m]aintaining manual on-site data collection just to record these very small volumes that are not captured in PTR would incur a data collection cost that would be a non-negligible fraction of the reported cost difference.” *Id.*

Third, the Postal Service states that the burden to annually recalculate the TACS hours for weighting the variabilities is minimal, and that the Public Representative’s suggestion to provide the TACS hours for weighting the variabilities in the ACR is also minimal. *Id.* at 6. However, the Postal Service disagrees to the extent that the Public Representative suggests an update to the variabilities estimated in Docket No. RM2019-6. *Id.* at 8. The Postal Service comments that the variabilities produced in Docket RM2019-6 were “stable and robust” and reviewed and approved by the Commission. *Id.* The Postal Service asserts that expanded data collection to update the variabilities would impose an “unrealistic burden on the Postal Service” in terms of costs, resources, and time. *Id.*

Fourth, the Postal Service notes that it has provided more complete documentation, pointing to the data dictionary that it provided in the SPCCS Documentation, and the Postal Service explains that other variables which are not described are “essentially duplicates.” *Id.* at 9. Regarding observations assigned to MODS operation code 746, the Postal Service confirms that these observations were inadvertently omitted from the data developed for the proposal, but would be included going forward if Proposal Four is approved. *Id.* The Postal Service claims that there are very few hours associated with this operation code, 0.0004 percent of all LDC 23 hours, and the impact of making this change will be “very small.” *Id.* Finally, the Postal Service provided the full FY 2020 SPCCS data under seal in response to the Public Representative’s criticism that the Postal Service provided only partial data with its proposal. *Id.* at 10.

## VI. COMMISSION ANALYSIS

Based upon a review of Proposal Four, the workpapers filed in support of Proposal Four, the Responses to CHIR Nos.1 and 2, the workpapers filed in support of the Responses to CHIR Nos. 1 and 2, the Public Representative’s comments, the Postal Service’s Reply Comments, and the workpapers filed in support of the Postal Service’s Reply Comments, the Commission approves Proposal Four. Proposal Four improves the Postal Service’s estimation of SPR city carrier costs by using PTR scan data to more precisely and cost-efficiently calculate the factors used to distribute the SPR cost pools.

Proposed changes to analytical principles are evaluated to ensure that they “improve the quality, accuracy, or completeness of the data or analysis of data” contained in the Postal Service’s periodic reports, pursuant to 39 C.F.R. § 3050.11(a). Proposal Four should improve both the completeness and accuracy of data used to distribute SPR costs.

Proposal Four improves the completeness of the data used to develop distribution factors for SPR city carrier cost pools by more comprehensively sampling

routes that deliver infrequently or irregularly. For example, the Postal Service notes that small parcels “are delivered relatively more frequently on *ad hoc* low-workhour [SPRs] that are generated to support letter routes that are temporarily overburdened.”

Response to CHIR No. 1, question 1.b. The Postal Service states that, “[s]uch routes are difficult to sample in the current SPR-CCCS because of the necessity of scheduling a data collector in advance, combined with the difficulty in predicting the days when such routes will be operating.” *Id.* The Postal Service notes that “[t]he SPCCS would not have this difficulty, since it would collect data retrospectively and would report a relatively higher percentage of smaller parcels on the carrier-days in the low-workhour strata.” *Id.* The Public Representative agrees with the Postal Service’s assertion that the proposed SPCCS would better capture these routes. PR Comments at 3.

The Commission concurs with the Postal Service and Public Representative that Proposal Four should allow the Postal Service to more completely sample certain low-frequency and irregular SPRs. The impacts of the proposed methodology provide some additional confirmation. Under Proposal Four, the unit cost of Parcels, which the Postal Service reports are delivered *ad hoc* more frequently, increase 6.34 percent as a result of being better captured through more complete sampling. Response to CHIR No. 1, question 1.b. Products with smaller volumes, such as COD service, are subject to large degrees of variation under the existing methodology because their costs are estimated based on limited manual sampling. *Id.* question 1.a. For example, in FY 2020 more than half the costs associated with COD were due to pieces recorded from a single CCCS-SPR test. *Id.* Because Proposal Four’s proposed sample size of 26,000 carrier-days greatly exceeds the current CCCS-SPR sample of 1,000 manually-tested route-days, the Commission agrees that Proposal Four will likely also increase the instances of small-volume products that are sampled and increase the precision for estimates of small-volume product costs.

However, the Public Representative raises several concerns regarding the completeness of the data used in Proposal Four, citing carrier days with “missing and/or incomplete PTR data.” PR Comments at 8. Furthermore, she points to carrier-days

where the PTR event time period range does not align with the total TACS workhours shown for the sampled carrier-day, which she contends may suggest that there were missing mailpiece scans. *Id.* at 6-7. The Public Representative also expresses concerns related to operational matters, including proper scanning and ability to collect data on mailpieces without barcodes. *Id.* at 8.

The Commission finds that there are no significant issues with the completeness of the data used in Proposal Four. The Commission accepts the Postal Service's explanation that "[n]o or few scan events relative to workhours is a reflection of the fact that SPR carriers do other things besides deliver parcels." Response to CHIR No. 2, question 3. As the Postal Service notes, SPR carriers perform tasks other than delivery, which are not associated with SPR scans, such as collecting mail from street letter boxes and transporting relay mail to transfer boxes on foot routes. Postal Service Reply Comments at 2. The Postal Service further explains that "[a] carrier-day with many [TACS workhours] but few PTR scan observations is not indicative of undercounting of mail pieces in the SPCCS data, but is indicative of office work or non-delivery street activities, for example collection or relay." Response to CHIR No. 2, question 4. The Commission finds that the incidence of 17.9 percent of carrier days which are missing PTR scans in Proposal Four is consistent with past studies and reasonable in light of the Postal Service's explanation as to their cause. For these reasons, the Commission finds that the PTR scan data presented in Proposal Four are sufficiently reliable for the SPCCS to constitute an improvement over the CCCS-SPR.

Similarly, the Commission finds that the operational concerns noted by the Public Representative from the 2021 OIG Audit Report should not have a material impact on the reliability of the scan data. The Commission acknowledges that instances in which carriers do not properly use scanning equipment and/or misclock into the wrong labor distribution code could affect the SPCCS estimates of total volume, but agrees with the Postal Service that these errors would not materially affect the SPR distribution factors because they would affect the estimated volumes for all products equally on average. See Postal Service Reply Comments at 4. Regarding mailpieces without barcodes, the

Commission notes that, in the CCCS-SPR, approximately 99 percent of entries have barcodes that are scanned by the data collector. Response to CHIR No. 2, question 5.a. The Postal Service explains that “almost all” of the 1 percent of entries without barcode scans are for products that would normally be scanned but for equipment failures. *Id.* The Commission agrees with the Postal Service that “equipment failures would not affect the percentages of different products that do receive scans and therefore would not affect the distribution key used for developing product costs.” *Id.* For mailpieces without barcodes that are scanned on delivery by the carrier, the contribution to unit costs from CCCS-SPR was less than \$0.0002. *Id.* The Commission agrees that the impact from not counting the costs associated with items without barcodes through the SPCCS is not material.

Proposal Four also improves the accuracy of the data used to develop distribution factors for SPR city carrier cost pools because the greater availability of data will allow the Postal Service to develop separate distribution factors for peak and non-peak periods, as well as to separate estimates by carrier subcategory. The Public Representative agrees that the current CCCS-SPR methodology is not conceptually suited for disaggregating peak and non-peak variabilities because it often excludes “routes that are utilized only during peak season” in its samples. PR Comments at 3. The Commission concurs with the Postal Service that there is no need to update the variabilities estimated in Docket No. RM2019-6 to approve Proposal Four. The Commission also agrees with the Postal Service that the stratification of SPCCS carrier-days by carrier subcategory, route type, and low/high workhour functions will “reduce the variance of estimates” and provide “opportunity to inspect for possible additional differences between the carrier subgroups.” Response to CHIR No. 1, question 7.a., 7.c.

Finally, Proposal Four will allow the Postal Service to reduce data collection costs. The Commission notes that the SPCCS does not require labor resources for manual data collection, as is presently required by the CCCS-SPR. The Postal Service

estimates these cost-saving at \$200,000 per year. Response to CHIR No. 1, question 8.

For the aforementioned reasons, the Commission finds that Proposal Four improves the completeness and accuracy of the Postal Service's periodic reporting, as required under to 39 C.F.R. § 3050.11(a). However, the Commission's approval is conditioned on the Postal Service correcting its inadvertent exclusion of carrier-days associated with MODS operation code 746.<sup>25</sup> The Commission also directs the Postal Service to annually file the TACS hours used to weight the estimated variabilities in the ACR.<sup>26</sup>

Furthermore, the Commission agrees with the Public Representative that the initially submitted documentation was insufficient for the Commission to sufficiently review Proposal Four. In future rulemaking dockets, the Postal Service should provide and explain the source of key inputs it uses in its workbook files, so that the Commission and potential commenters can recreate the Postal Service's analysis. If the Postal Service believes it is not feasible to provide these types of materials, it should explain why in future petitions.

## VII. ORDERING PARAGRAPHS

*It is ordered:*

1. For purposes of periodic reporting to the Commission, the changes in analytical principles proposed by the Postal Service in Proposal Four, as modified above, are approved.

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<sup>25</sup> The Postal Service states that, "Regarding MODS operation code 746, the Postal Service appreciates the Public Representative bringing this to our attention. This code was inadvertently not included in the data developed for the proposal, but would be included going forward should the Commission approve Proposal Four." Postal Service Reply Comments at 9 (internal citation omitted).

<sup>26</sup> The Postal Service characterized the burden of this requirement as "minimal." *Id.* at 6.



2. In future Annual Compliance Report filings, the Postal Service shall include all of the inputs needed to weight the estimated variabilities, including underlying data and log files, and the Time and Attendance Collection System hours used.

By the Commission.

Erica A. Barker  
Secretary