

ORDER NO. 6090

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

Before Commissioners:

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

Periodic Reporting
(Proposal One)

Docket No. RM2022-3

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

(Issued January 10, 2022)

I. INTRODUCTION

On January 5, 2022, 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 One.

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal One), January 5, 2022 (Petition). The Petition was accompanied by a study supporting its proposal. See Michael D. Bradley (Bradley), *On the Estimation of a Top-Down Model for City Carrier Street Time**, January 5, 2022. The Postal Service also filed a notice of filing of public and non-public materials relating to Proposal One. Notice of Filing of USPS-RM2022-3-1 and USPS-RM2022-3-NP1 and Application for Nonpublic Treatment, January 5, 2022.

II. PROPOSAL ONE

Background. In Docket No. RM2015-7,² the Postal Service proposed, and the Commission accepted, an approach to estimating variabilities for city carrier street time that relied upon three separate econometric equations, one for letters and flats, one for in-receptacle parcels, and one for deviation parcels and accounts. Petition, Proposal One at 1. The Commission directed the Postal Service to undertake an effort to investigate what data would be needed to estimate a unified, or “top-down,” model. *Id.* Subsequent to Docket No. RM2015-7, the Commission opened a public inquiry case, Docket No. PI2017-1,³ to follow the Postal Service’s progress in updating its data capabilities and modeling efforts for city carrier street time and specified the type and structure of the data set that would be appropriate to estimate a top-down model. *Id.* at 2. In response to the Commission’s directives, the Postal Service compiled the appropriate data, investigated alternative methods of estimating a top-down model, and specified a model that includes an estimation of new variabilities for city carrier, letter route, and street time. *Id.* at 2-3.

Proposal. Proposal One would update the methodology for calculating attributable city carrier, letter route, street time costs by employing an overall top-down model that relies upon expanded operational carrier data. *Id.* at 1, 3. The Postal Service proposes that the new top-down study would improve the previous analysis of letter route street time by making use of ongoing operation data systems; incorporating seasonality effects and controls for day-of-week effects; including new characteristic variables that help control for non-volume variations in hours across ZIP Codes; relying upon a new econometric technique, called a correlated random effects model, that controls for unobserved differences across ZIP Codes while explicitly recognizing those differences are correlated with volume; taking a holistic approach to analyzing city street

² See Docket No. RM2015-7, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Thirteen), October 29, 2015, at 66 (Order No. 2792).

³ See Docket No. PI2017-1, Interim Order, November 2, 2018, at 16 (Order No. 4869).

time; and producing marginal delivery and collection times that comport with current carrier street time operational practice. *Id.* at 3-4.

The overall levels of variabilities produced by the top-down model is lower than the current model because a reduction in the variabilities for the volume types associated with market dominant letter and flat mail is only partially offset by an increase in the parcel variabilities. The overall changes in the variabilities result in lower costs for letters and flats and higher costs for parcels. *Id.* at 6.

Impact. The following table presents the impact of Proposal One on city carrier street unit costs, including indirect costs.

Table 1
City Carrier Costs Including Indirect Costs

Product	Current Unit City Carrier Costs	New Unit City Carrier Costs	Change in City Carrier Unit Costs	% Change in City Carrier Unit Costs
Total First-Class Mail	\$0.063	\$0.041	-\$0.022	-34.98%
Total USPS Marketing Mail	\$0.063	\$0.043	-\$0.020	-32.28%
Total Periodicals	\$0.145	\$0.113	-\$0.033	-22.58%
Bound Printed Matter Flats	\$0.216	\$0.173	-\$0.043	-19.90%
Bound Printed Matter Parcels	\$0.365	\$0.452	\$0.088	24.02%
Media/Library Mail	\$0.421	\$0.506	\$0.085	20.07%
Total Package Services	\$0.324	\$0.365	\$0.041	12.74%
Total Domestic Market Dominant Mail	\$0.067	\$0.046	-\$0.021	-31.63%
Total Competitive Mail and Services	\$0.453	\$0.528	\$0.075	16.52%

Source: Excel file "FY21 Proposal One Cost Impact.xlsx," tab "Unit Costs."

Under the new top-down model, the unit costs for market dominant products fall while the unit costs for competitive products rise, reflecting the changes in variabilities. *Id.* at 7.

III. NOTICE AND COMMENT

The Commission establishes Docket No. RM2022-3 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 One no later than March 14, 2022. Reply comments on the Petition and Proposal One are due no later than March 28, 2022. Pursuant to 39 U.S.C. 505, Philip T. Abraham is designated as 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. RM2022-3 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 One), filed January 5, 2022.
2. Comments by interested persons in this proceeding are due no later than March 14, 2022. Reply comments on the Petition and Proposal One are due no later than March 28, 2022.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Philip T. Abraham to serve as 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