

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL ONE)

Docket No. RM2022-3

**REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
REGARDING PROPOSAL ONE**
(April 25, 2022)

Order No. 6119 (March 11, 2022) reset the deadline for initial comments in this docket to March 28, and the deadline for reply comments to April 25. On March 28, 2022, initial comments in this docket were filed by the Public Representative and by United Parcel Service, Inc. (UPS). Both the Public Representative and UPS view the Proposal overall as an improvement, but also raise other issues that require response. The Postal Service hereby offers its reply comments, primarily in the form of a report by Professor Bradley that is attached to this document electronically.¹ In accord with Professor Bradley's report, the Postal Service sees merit in some of the points made in those initial comments, but disagrees with other portions of them. Under the circumstances, the Postal Service recommends that the Commission either approve Proposal One as originally submitted, or with the modifications described in Professor Bradley's report.

The Public Representative presents a thorough review of the components of Proposal One, including the relevant background, data collection, data preparation,

¹ In addition to Professor Bradley's report, two folders – USPS-RM2022-3-2 and USPS-RM2022-3-NP3 – are submitted to support his analysis of the initial comments. A separate Notice of Filing is provided for those materials.

econometric modeling, and interpretation of the econometric results. PR Comments at 5-44. He is supportive of most aspects of Proposal One, and clearly articulates multiple reasons why it constitutes an improvement over the current methodology. *Id.* at 1, 35-44. Although he also raises concerns about the imputation procedures employed and suggests corresponding adjustments (*id.* at 45-59), as fully explained by Professor Bradley in his report, those concerns are misplaced. In fact, the reasonable limited amount of imputation utilized in Proposal One enhanced the analysis, and the alternative results offered by the Public Representative merely demonstrates the robustness of the research conducted by Professor Bradley.

UPS is likewise generally supportive of the proposed top-down model, viewing it as a step forward in the evolution of city carrier costing. UPS Comments at 2. UPS, however, also identifies what it believes to a shortcoming, in this instance, the reliance of the analysis on 2019 data to calculate the top-down variabilities. UPS cites upward trends in parcel volumes since that time as reason to seek a mechanism to enhance the proposal. Of course, the Postal Service is not oblivious to those trends either, but its focus in presenting Proposal One was to advocate for acceptance of the econometric results of the top-down model.² Nonetheless, as Professor Bradley explains, while the concern that UPS raises in this regard is not off base, an established mechanism already exists to take account of precisely the type of developments (shifts in mail mix)

² For that purpose, as a practical matter, there was no alternative other than to rely on the 2019 data for which such massive efforts had already been undertaken to compile. Had the Postal Service anticipated how receptive commenters would be regarding the basic soundness of the top-down model, the Postal Service might have considered further steps beyond that point. At the same time, an impression of presumptuousness could have resulted from skipping directly to concerns about updating a model when the viability of that model itself remained in contention.

that UPS identifies. In his report, Professor Bradley takes UPS up on its invitation (page 21) to present alternative adjustments to remedy the situation, and his proposal is fully documented in the report and the accompanying materials. Not only is his adjustment proposal appropriate for use currently, but he also sets out a reasonable and practical procedure for making comparable updates to be applied each year in the ACR going forward.

Professor Bradley also explains, however, why UPS indeed *is* off base in some of its other comments and suggestions with regard to the econometric methods and data presented in Proposal One. Based on these concerns, UPS suggests on that the Commission should require the Postal Service to collect city carrier data over multiple years. However, review of the individual concerns reveals that they are a set of unfounded assertions about the top-down model estimations which are based upon either mischaracterizations of the methods used in Proposal One, or misunderstandings of the nature of panel data estimation. They do not support the recommendation of collecting data over multiple years, and the Commission should reject that suggestion.

Conclusion

Both the Public Representative and UPS recognize the top-down model presented within Proposal One as an improvement over the status quo. Each, however, identifies what they perceive to be issues raised by the Proposal, and offers suggestions from further improvement. In his report accompanying these reply comments, Professor Bradley has addressed their claims in detail. The Postal Service, for the reasons stated above and by Professor Bradley, recommends that the

Commission either approve Proposal One as originally submitted, or with the alternative modifications presented by Professor Bradley.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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