

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Four)

Docket No. RM2022-10

COMMENTS OF THE PUBLIC REPRESENTATIVE

(August 31, 2022)

I. INTRODUCTION

The Public Representative hereby provides comments in response to Commission Order No. 6225.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Petition requesting that the Commission initiate a rulemaking proceeding to consider a proposal to change the approved analytical methods used in the Postal Service's periodic reports to the Commission.² The Postal Service filed the petition pursuant to 39 C.F.R. § 3050.11. Petition, Proposal 4 at 1.

II. SUMMARY OF PROPOSAL FOUR

In Proposal Four, the Postal Service seeks five changes to improve and streamline the International Cost and Revenue Analysis (ICRA) model: firstly, to use Outbound International Service Agreement (NSA) SIRVO³ data to more accurately attribute outbound settlement expenses and international transportation expenses to NSA products; secondly, to add all countries to the outbound piece of the ICRA

¹ Order No. 6225, Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Order), July 13, 2022.

² Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), July 11, 2022 (Petition).

³ System of International Revenue and Volume, Outbound

database and eliminating the 999X countries⁴; thirdly, to use the Settlement Workbooks file as the source for outbound settlement calculations instead of manually entering rates; fourthly, to remove obsolete sections of the ICRA model identified in the Response to CHIR No. 14, Questions 3-4;⁵ and finally, to replace International Accounting Branch (IAB) country numbers with International Organization for Standardization (ISO) codes. See Petition, Proposal Four at 1-3.

III. BACKGROUND

Presently, SIRVO data are used to weight flows of the various product rate groups for all products. The first proposed change would add a second step and a new workbook to weight the various NSA product rate groups using NSA-specific SIRVO data, including the calculations of conveyance and international transportation expenses. *Id.* The Postal Service contends that this change will refine the cost estimates for both NSA and non-NSA products. *Id.* at 3.

The second proposed change eliminates using 999X countries. *Id.* at 4. Because data for all countries has become available, the current 999X country data can be replaced by individual country data. *Id.* Even though the 999X countries are not sampled in SIRVO, with the Foreign Payment System (FPS), individual country data are available for use in the ICRA. *Id.*

The third proposed change automates the entering of rates into the outbound settlement calculations. *Id.* Settlement workbooks are routinely filed with International NSA financial workpapers. The Postal Service contends that using them as ICRA inputs

⁴ 999X countries are countries that are not sampled in SIRVO, but with the Foreign Payment System (FPS), individual country data are available for use in the ICRA.

⁵ Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request, No. 14, February 18, 2022, questions 3-4 (Response to CHIR No. 14).

will minimize possible inconsistencies between the financial workpapers and the ICRA and will eliminate the possibility of data entry errors. *Id.*

The fourth proposed change falls under housekeeping. In Docket No. ACR2021, in response to Chairman's Information Request No. 14 (February 18, 2022), Questions 3 and 4, the Postal Service identified certain cells and calculations in the ICRA model that were remnants of calculations that are no longer used. *Id.* The Postal Service seeks to eliminate this superfluous information. *Id.*

The fifth proposed change replaces one set of unique identifiers for countries with another. *Id.* The Postal Service contends that ISO codes, which are used by both the UPU, and the Postal Service are preferable to IAB numbers, because using ISO codes creates consistency in some calculations and further allows the model to be streamlined. *Id.* at 4.

The Postal Service filed as an attachment to the Petition, two non-public documents⁶ under seal as part of USPS-RM2022-10-NP-1. In attachment 1, the Postal Services compared the Summary, Market Dominant and Competitive pages filed as part of USPS-FY21-NP2 and the Summary, Market Dominant and Competitive pages that would have been generated for FY2021 under this proposal. The USPS-FY21-NP2 tabs are shown in green, the proposal tabs are shown in brown, and the differences are shown in pink.⁷ The impact on total Market Dominant and total Competitive products yields a net impact of zero on total costs.

Similarly, in attachment 2, the Postal Service compared the NSA Summary (Unified) workbook under USPS-FY21-NP2 ICM Costing and the NSA summary results

⁶ Library Reference USPS-RM2022-10_NP1, Zip folder "NP1.Prop.4.ICRA.Files", Excel files Attachment 1.xlsx and Attachment 2.xlsx. July 11, 2022.

⁷ Attachment 1.xlsx

for FY2021 that would have been generated under this proposal.⁸ According to the Postal Service, the proposal would not have caused any positive contribution products to turn negative or any negative products to turn positive in FY 2021. There would have been no impact on Inbound NSAs, and all Outbound NSAs would have remained positive. *Id* at 5

The Postal Service further compartmentalized the details of how this proposal will be implemented. *Id* at 5-6. The Postal Service also provided details of all the files and a general listing of the nature of changes that were made, and a detailed description of the affected tabs organized by workbook. *Id* at 7-10.

IV. COMMENTS

Based upon a review of the Postal Service's filing including workpapers filed under seal, the Public Representative finds that Proposal Four improves and streamlines the International Cost and Revenue Analysis (ICRA) model. Specifically, the Public Representative finds that the inclusion of a second aggregation step to the settlement process would improve ICRA cost estimates by using actual NSA activity to weight the product rate groups for NSA attribution, hence, refining the cost estimate for both NSA and non-NSA products.

Additionally, the Public Representative observed that eliminating sections, cells, calculations, and pivot tables that are no longer used or serve no purpose, streamlines the ICRA model. The mechanics described by the Postal Service eliminates a lot of redundancies and duplicities. Furthermore, the Public Representative notes the responsiveness of the Postal Service to the Commission's concerns raised in Docket No. ACR2021, Chairman's Information Request No. 14 (February 18, 2022) by making the model more transparent allowing preparers to focus only on what is currently used in the model and minimizes the time reviewers might spend with irrelevant sections.

⁸ Attachment 2.xlsx

Finally, the Public Representative agrees with the Postal Service that replacing the current method of manually inputting data with automating the inputs from the settlement workbooks eliminates the risk of data entry errors and thus makes the process more efficient.

The Public Representative also reviewed the non-public attachments filed under seal and supports the Postal Service's assertion that the impact on total Market Dominant and total Competitive products yields a net impact of zero on total costs and the percentage impact is materially insignificant, generally less than two percent. These findings on how Proposal Four improves and streamlines the ICRA model are demonstrated through the Postal Service's presentation of supporting documents filed under seal.

For the reasons discussed above, the Public Representative supports Proposal Four and recommends its approval. The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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