

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 Three)

Docket No. RM2022-9

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

(Issued September 12, 2022)

I. INTRODUCTION

On July 8, 2022, 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 change to an analytical principle relating to periodic reports.¹

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), July 8, 2022 (Petition). Proposal Three is attached to the Petition. The Postal Service also filed a notice of filing of non-public material relating to Proposal Three. Notice of Filing of USPS-RM2022-9-NP1 and Application for Nonpublic Treatment, July 8, 2022.

II. PROCEDURAL HISTORY

On July 12, 2022, the Commission issued a notice initiating this proceeding, soliciting public comment, and appointing a Public Representative.² On July 19, 2022, Chairman's Information Request No. 1 was issued.³ On July 26, 2022, the Postal Service provided its response to CHIR No. 1.⁴ The Commission received comments from the Public Representative on August 12, 2022.⁵ No other party submitted comments.

III. BACKGROUND

Proposal Three relates to the Revenue, Pieces, and Weight (RPW) reporting methodology for measuring the country-level totals of contract mailpieces in outbound international product categories bearing permit-imprint indicia. See Petition, Proposal Three at 1. The international outbound products at issue include Priority Mail International (PMI), First-Class Package International Service (FCPIS), Priority Mail Express International (PMEI), First-Class Mail International (FCMI), International Priority Airmail (IPA), International Surface Airlift (ISAL), and Commercial ePackets (CEPK). *Id.*

Currently, to report the country-level totals, the Postal Service uses various census sources, including PostalOne! and PC Postage vendor data, in conjunction with statistical sampling estimates from the System for International Revenue and Volume, Outbound, and International Origin Destination Information System (SIRVO-IODIS), a probability-based international outbound mail sampling system, and estimates from Global Business System Dispatch (GBS Dispatch). See *id.* at 1, 3. The PostalOne!

² Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Three), July 12, 2022 (Order No. 6223).

³ Chairman's Information Request No. 1 and Notice of Filing Under Seal, July 19, 2022 (CHIR No. 1).

⁴ Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 1, July 26, 2022 (Response to CHIR No. 1); Notice of Filing of USPS-RM2022-9-NP2 and Application for Nonpublic Treatment, July 26, 2022.

⁵ Public Representative Comments, August 12, 2022 (PR Comments).

system, which “offers an electronic suite of services designed exclusively for business mailers[,]” “provides an electronic linkage between a customer’s mailing information and Postal Service business mail acceptance and induction processes.” *Id.* at 2. The Postal Service describes PC Postage as “third-party vendor software approved by the Postal Service that mailers can use to pay for and print postage using a computer, printer, and internet connection.” *Id.* at 3. Further, “PC Postage payment transactions are recorded in the National Meter Account Tracking System (NMATS).” *Id.*

IV. PROPOSAL THREE

The Postal Service’s proposal seeks to replace the SIRVO-IODIS sampling estimates and the GBS Dispatch estimates used in the existing RPW reporting methodology with granular census data. *See id.* at 1, 5. The Postal Service would use the following auxiliary data sources for permit-imprint contract pieces: manifest information for PostalOne! customers using the Electronic Verification System (eVS) and, for other PostalOne! customers, barcodes of mailer-prepared receptacles in the GBS Dispatch system. *See id.* at 5. For PC Postage contract pieces, the Postal Service would determine destination-country information from a disaggregated NMATS report containing activity by individual contract and product. *See id.* The Postal Service states that “Proposal Three would take effect in the FY2022 ACR [Annual Compliance Report] Filing[.]” Response to CHIR No. 1, question 1.

According to the Postal Service, adoption of Proposal Three would not directly affect the national totals of outbound international contract mailpieces reported in RPW. *See* Petition, Proposal Three at 6. However, it would indirectly affect the national totals for products containing non-census weight because it would change the level of census weight for individual countries. *See id.* The Postal Service filed an assessment of the impact of Proposal Three on particular products in a public attachment (Attachment A, Excel file (Attachment A_Public.xlsx)), which shows Fiscal Year (FY) 2022,

Quarters 1 and 2 changes by major international outbound mail category, and in a non-public attachment.⁶

According to the Postal Service, adoption of Proposal Three would lead to “small changes to Outbound First-Class Mail International (1.6 percent decrease in revenue and 2.2 percent decrease in volume) and First-Class Package International Service Retail (0.5 percent increase in revenue and 0.6 percent increase in volume),” and U.S. Postal Service Mail, Free Mail, and International Ancillary Services would show “smaller indirect effects.” *Id.* at 7 (emphasis omitted). The Postal Service states that, altogether, under Proposal Three, outbound international revenue and volume for “Quarters 1 and 2 of FY 2022 would be reduced by 0.2 percent and 1.3 percent, respectively.” *Id.* (footnote omitted).

V. COMMENTS

The Public Representative comments that adoption of Proposal Three would improve the accuracy of the Postal Service’s reporting by “allow[ing] for more precise reporting of PostalOne! and PC Postage data at the destination-country level.” PR Comments at 4. In addition, the Public Representative finds that adoption of Proposal Three also would “help avoid estimation sampling errors that result from limitations in the current system” and would “provide continued improvement to the quality of RPW reporting and are in line with changes approved by the Commission in prior dockets.” *Id.* Consequently, the Public Representative recommends that the Commission approve Proposal Three. *See id.*

VI. COMMISSION ANALYSIS

With Proposal Three, the Postal Service proposes the replacement of SIRVO-
IODIS sampling estimates (which are subject to sampling error) with corresponding

⁶ See Petition, Proposal Three, Attachment A at 1; Library Reference USPS-RM2022-9/NP1. The non-public version “provides further data disaggregation.” PR Comments at 3 (footnote omitted).

destination-country census data for international outbound contract mailpieces. See Petition, Proposal Three at 1. Accordingly, Proposal Three is designed to improve the Postal Service's RPW reporting.

Proposal Three's expanded use of census data would enhance data quality by adding country-level precision to analyses that rely on these data, such as analyses of negotiated service agreements (NSAs). See *id.* At 5-6. Proposal Three's methodology would improve the RPW reporting of revenues and volumes for outbound international contract mailpieces by incorporating adjustments at a more granular level of weight from additional census data sources for the underlying destination-country. In particular, this transaction-level incorporation of census data sources and adjustments would improve the quality of data reported for contract international outbound mailpieces using PC Postage and permit imprint indicia from PostalOne! by capturing granular country-level product data. See *id.* at 7.

The largest impact of Proposal Three is its indirect effect on Outbound First-Class Mail International revenue and volume, which would decrease 1.6 percent and 2.2 percent, respectively. See Attachment A, Excel file (Attachment A_Public.xlsx), cells J18 and R18. GBS Dispatch weight controls all census and sample data for each expansion stratum. See Proposal Three at 6. Consequently, census weight levels for individual countries would be adjusted in the non-census weights; this will cause an indirect change in the revenue and volume for Outbound First-Class Mail International. See Proposal Three at 6. If Proposal Three is implemented, the Postal Service, using Fiscal Year 2022 Quarter 2 year-to-date RPW data, notes that there would be no direct impact on total mail revenue and volume. It expects the indirect impact to decrease total mail revenue and volume by 0.2 percent and 1.3 percent, respectively. See Attachment A, Excel file (Attachment A_Public.xlsx), cells J47 and R47.

After reviewing the Petition, the supporting documents, the Response to CHIR No. 1, and the Public Representative's comments, the Commission finds that adoption of Proposal Three would improve data quality, broaden and fine-tune data recording, and improve the accuracy of reporting for volume and revenue.

VII. CONCLUSION

Pursuant to 39 C.F.R. § 3050.11 and based upon a review of the Postal Service's filings, supporting workpapers, and Response to CHIR No. 1, and the Public Representative's comments, the Commission finds that the proposed analytical methodology significantly improves the quality and accuracy of the Postal Service's RPW reporting. Therefore, the Commission approves Proposal Three.

VIII. ORDERING PARAGRAPH

It is ordered:

For purposes of periodic reporting to the Commission, the changes in analytical principles proposed by the Postal Service in Proposal Three are approved.

By the Commission.

Erica A. Barker
Secretary