

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

International Mail Report

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Docket No. RM2000-1

OFFICE OF THE CONSUMER ADVOCATE
COMMENTS ON PROPOSED RULEMAKING CONCERNING COMMISSION
REPORTS PREPARED UNDER 39 U.S.C. § 3663

(December 23, 1999)

Pursuant to Order No. 1270,¹ the Office of the Consumer Advocate ("OCA") hereby comments on proposed rules to develop procedures that will be followed when the Commission prepares its annual reports to Congress on the costs, revenues, and volumes of international mail services. The duty to prepare such reports was recently imposed on the Commission by 39 U.S.C. § 3663, which provided that:

- (a) Not later than July 1 of each year, the Postal Rate Commission shall transmit to each House of Congress a comprehensive report of the costs, revenues, and volumes accrued by the Postal Service in connection with mail matter conveyed between the United States and other countries for the previous fiscal year.
- (b) Not later than March 15 of each year, the Postal Service shall provide to the Postal Rate Commission such data as the Commission may require to prepare the report required under subsection (a) of this section. Data shall be provided in sufficient detail to enable the Commission to analyze the costs, revenues, and volumes for each international mail product or service, under the methods determined appropriate by the Commission for the analysis of rates for domestic

¹ "Notice of Proposed Rulemaking Concerning Commission Reports Prepared Under 39 U.S.C. § 3663," issued November 18, 1999.

mail.

The first of these annual reports was transmitted to Congress on June 30, 1999.

Following a Petition of the United Parcel Service ("UPS") to Institute a Rulemaking Proceeding to Study International Costs and Revenues,² the Commission issued Order No. 1226 and stated that too little time was available to conduct a full-fledged 5 U.S.C. § 553 rulemaking proceeding. The establishment of a rulemaking proceeding was deferred until after the first report was filed—hence the recent initiation of this proceeding in Order No. 1270.

In Order No. 1270, the Commission proposes the addition a new rule of practice: 39 CFR § 3001.103. Rule 103 lists the titles and brief descriptions of reports that the Postal Service must file with the Commission by March 15th of each year. The required reports include the International Cost and Revenue Analysis ("ICRA"), together with documentation and workpapers for the ICRA; Military and International Accounting and Dispatch System ("MIDAS"), System for International Revenue and Volume—Outbound ("SIRV/O"), System for International Revenue and Volume—Inbound ("SIRV/I") handbooks, if revised or replaced; Cost Segment 3 CRA worksheets and files; Cost Segment 7 CRA worksheets and files; the number of weighted tallies by international service separately for clerks and mailhandlers (further separated for mail processing, window service, and all other) and city delivery carriers in-office; coefficients of variation for the In-Office Cost System ("IOCS"), the Transportation Cost System ("TRACS"), outbound volume by international service, and inbound volume by

²

Filed December 16, 1998.

international service; percentages of household and non-household mail; and percentages of single-piece and bulk mail for each outbound service.

The OCA's comparison of the proposed Rule 103 requirements with the 1998 International Mail Report, Appendix A, List of Reference Sources, reveals that the lists are somewhat different. The Commission may wish to add information sources to the Rule 103 requirements that proved necessary or useful in generating the 1998 Report.

In addition to the list of items that must be provided by the Postal Service annually, the OCA believes that the rules established for generating the annual international mail reports should list additional types of information that should be provided regularly and *released to the public*. Specifically, the OCA proposes that the Postal Service be required to file detailed descriptions of the *procedures* it follows to generate the reports that it files to the Commission, as well as a description of the *methodologies* employed, and the *types* of data and other information utilized. These descriptions would be made available to the public immediately following their filing with the Commission on or about March 15th each year. Interested members of the public would then be permitted to comment on possible deficiencies or oversights in the procedures, methodologies, and information sources, with the aim of having the Postal Service supplement its filed reports or improve the quality of information used in future years.³ Armed with such information and comments, the Commission would be able to

³ Congress has signaled a concern about the quality of Postal Service data systems and procedures. The U.S. House of Representatives Committee on Government Reform, Subcommittee on the Postal Service, "requested an independent review of the quality of data used in rate making." This was a response to rate and classification participants' criticisms of data quality. Data Quality Study, prepared by Linx, a Division of A.T. Kearney Inc., issued April 16, 1999, at 1.

make recommendations to the Postal Service for improvements in data collection and reporting.

The OCA is aware of the Postal Service's position that "with limited exceptions, the information that it has provided to the Commission in connection with section 3663 is commercially sensitive."⁴ For example, the Postal Service considers cost, revenue, and volume information on international initiatives or by specific country to be commercially sensitive. This is true of negotiated delivery cost figures as well.⁵

On the other hand, particular training guides provided to the Commission have been characterized by the Postal Service as "not contain[ing] commercially sensitive information."⁶ This is likely to be the case with any documentation provided to the Commission that describes the "how" of the Postal Service's report preparation, but not the specific report contents.

The OCA suggests that Rule 103 be expanded to include a requirement that the Postal Service explain, in detail:

- (1) its procedures for identifying accounts that are likely to contain, in whole or in part, expenditures made on behalf of international mail services;
- (2) its methodology for classifying such information within the system of cost segments and components;
- (3) its breakdown of each cost segment into domestic and international components;

⁴ Comments of the United States Postal Service on the Commission's 39 U.S.C. § 3663 Report, April 8, 1999, at 2 (footnote omitted).

⁵ *Id.*, *inter alia*.

⁶ *Id.*, n. 4.

- (4) the further breakdown of each cost segment into costs caused by particular international services;
- (5) the process for allocating costs that are (a) shared by international and domestic services to international and domestic services, and (b) shared among international services to each discrete international service;
- (6) engineering approaches that may be utilized to develop the costs of low-volume services such as Global Package Link ("GPL") and Global Priority Mail ("GPM") (1998 International Mail Report at 16);
- (7) case-by-case approaches for developing costs, e.g., for Global Direct Services (Direct Entry/Inbound), International Customized Mail ("ICM"), and Global Parcel Services ("GPS") (1998 International Mail Report at 17); and
- (8) the methodology for combining the discrete costs, by cost segment, into the total costs for each international mail service.

For allocations to international/domestic and among international services that result from data collection or sampling systems, Rule 103 should also include the requirement that full documentation of these systems be provided, including training manuals and instructions to data collectors. A detailed description of how reports are generated by the data systems and used to estimate costs, volumes, or revenues for discrete international services should be provided. Documentation for the following data systems should be specifically listed:

- (1) ICRA (including summary description and documentation, appendices; cited in the 1998 International Mail Report, Appendix A, at 1);

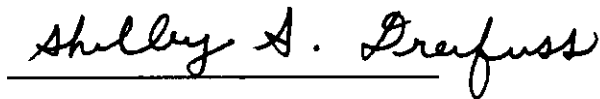
- (2) SIRV/I (including reference manual, cited in the 1998 International Mail Report, Appendix A, at 1);
- (3) SIRV/O (including training guide, cited in the 1998 International Mail Report, Appendix A, at 1);
- (4) MIDAS (including training guide, cited in the 1998 International Mail Report, Appendix A, at 1);
- (5) IOCS (or citations to materials already on file with the Commission, if they address allocations to and among international mail services);
- (6) TRACS (or citations to materials already on file with the Commission, if they address allocations to and among international mail services);
- (7) City Carrier data collection system (or citations to materials already on file with the Commission, if they address allocations to and among international mail services);
- (8) Rural Carrier data collection system (or citations to materials already on file with the Commission, if they address allocations to and among international mail services);
- (9) Permit system (cited in the 1998 International Mail Report at 18) (or citations to materials already on file with the Commission, if they address allocations to and among international mail services);
- (10) Revenue, Pieces, and Weight System ("RPW") (or citations to materials already on file with the Commission, if they address allocations to and among international mail services);

- (11) Census systems (cited in the 1998 International Mail Report at 13), including:
- (a) Periodicals
 - (b) International Surface Airlift (ISAL)
 - (c) International Priority Airmail Service (IPAS)
 - (d) ValuePost/Canada
 - (e) Bulk Letter Service to Canada
 - (f) GPL
 - (g) Direct Entry
 - (h) Express Mail International Service (EMS)
 - (i) GPM
 - (j) ICM;
- (12) Management Operating Data System ("MODS") (or citations to materials already on file with the Commission, if they address allocations to and among international mail services); and
- (13) International Accounts Branch ("IAB") data
- (14) Handbook F-85, Data Collection Users Guide for International Systems.

It must be emphasized that the OCA does not envision the filing of specific cost, volume, or revenue information in the descriptive/explanatory material and documentation listed in the two preceding paragraphs. Rather, the OCA finds it appropriate to require the filing of "how to," process, and methodological information that should routinely be released to the public on or about March 15th each year. Following the release of this information, the public should be given at least 30 days to

comment on the information filed. If a commenter expresses convincing criticism of a methodology, then the Commission may wish to ask the Postal Service to supplement or revise materials already provided. These changes could be incorporated into the Commission's Report to Congress. If the changes cannot be made readily, then the Commission may wish to recommend in its Report that the Postal Service modify its collection and reporting systems to reflect suggested improvements.

Wherefore, the OCA respectfully asks that proposed Rule 103 be supplemented to incorporate the suggestions presented above.

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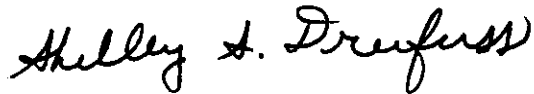
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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

A handwritten signature in black ink, reading "Shelley S. Dreifuss". The signature is written in a cursive, flowing style.

SHELLEY S. DREIFUSS

Washington, D.C. 20268-0001
December 23, 1999