

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

PERIODIC REPORTING

Docket No. RM2009-5

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING INITIATION
OF A PROCEEDING TO CONSIDER PROPOSED CHANGE IN ANALYTIC
PRINCIPLES (Proposal One)
(June 22, 2009)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a proceeding to consider a proposal to change analytic principles relating to the Postal Service's periodic reports. The proposal, labeled as Proposal One, is discussed below, and in greater detail in the attached text.

Proposal One seeks approval to adjust the ODIS-RPW sample size. The Origin-Destination Information System - Revenue, Pieces and Weight (ODIS-RPW) is a probability-based destinating mail sampling system used to support the Postal Service's many varied business needs for mail revenue and volume. ODIS-RPW primarily supplies official RPW estimates of revenue, volume and weight for single-piece stamped and metered indicia mail. As part of organization-wide efforts to economize and reduce costs, the Postal Service proposes to reduce the ODIS-RPW sample size by 20 percent, starting in Quarter One of FY 2010. As described in the attachment, however, the proposed sample size reduction is designed to minimize the impact on the accuracy of the estimates, and the Postal Service is convinced that the resulting outputs will be of sufficient quality to support the purposes of the ODIS-RPW system. Having

concluded that the cost savings potential of the sample size reduction outweigh any potential associated detrimental consequences, the Postal Service is prepared to proceed on that basis. Nonetheless, the Commission, when proposing the new rules on changes in analytic principles, made clear its own view that, in addition to meeting the needs of the Postal Service, changes in sample size also need to be subjected to the petition procedures of new Rule 3050.11. See Order No. 104 (August 22, 2008) at 28. Therefore, Proposal Two is presented in this filing for that purpose.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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June 22, 2009

Proposal One

PROPOSED REDUCTION IN ODIS-RPW SAMPLE SIZE

OBJECTIVE:

A change is proposed to reduce the sample size for the ODIS-RPW sampling system beginning Quarter 1, Fiscal Year (FY) 2010.

BACKGROUND:

The Origin-Destination Information System - Revenue, Pieces and Weight (ODIS-RPW) is a probability-based destinating mail sampling system used to support the Postal Service's many varied business needs for mail revenue and volume. ODIS-RPW primarily supplies official RPW estimates of revenue, volume and weight for single-piece stamped and metered indicia mail. The remaining mail volume and revenue reported in the Revenue, Pieces and Weight (RPW) Report is accounted for through 'census' like sources such as PostalOne! and Point-of-Sale (POS).¹

ODIS-RPW employs a multi-stage stratified sample design for sampling the universe of mail delivered or 'exiting' the Postal Service. All mail is partitioned into frame units, as part of a sampling frame. The frame unit is the Mail Exit Point or MEP.² MEPs are stratified prior to sampling as a means to improve the precision of estimates of mail revenue, volume and weight. The sampling unit is a MEP-day; a randomly selected 24-hour period³ for 'testing' the mail that will exit the Postal Service through this MEP. Each quarter the sampling frame is constructed and stratified, and random samples of MEP-days are drawn within strata. Statistical Programs data collectors visit the facility for the randomly selected MEP-day and conduct a statistical programs 'test'. The test encompasses isolating, sampling, and recording the mail characteristics of a portion of the mailpieces on the sampled MEP-day. There are about 128,000 ODIS-RPW tests annually. Each test takes on average about six hours of data collector time to conduct.

With the Postal Service experiencing a loss in mail volume, cost cutting measures are being explored in all program areas. This includes reduction in statistical testing or sampling where feasible.

¹ ODIS-RPW estimates account for approximately 20 percent of the annual RPW Report volume and 35 percent of the revenue.

² A Mail Exit Point (MEP) is typically either a letter, flat, or parcel mail stream in a postal facility.

³ In some instances, MEP-days are designed to be less than 24 hours, in order to ensure that mail will not be missed or double-counted in a statistical test.

PROPOSAL:

Beginning in FY2010, the Postal Service is proposing a 20 percent annual ODIS-RPW sample size reduction, or an approximate reduction of 25,600 tests. The reduction would be spread evenly throughout the four postal quarters. The reduction in tests would be done in such a way as to minimally impact RPW report volume and revenue coefficients of variation (CVs), as well as the Cost & Revenue Analysis (CRA) Unit Volume Variable Cost (UVVC) CVs.⁴

RATIONALE:

ODIS-RPW sample size reductions are planned in sampling strata that are associated with letter and flat mail, where sample sizes are currently large, and where coefficients of variation for RPW Report mail revenue, volume and UVVCs will be minimally impacted. Twenty percent reductions are expected to be generally uniform in each of the approximate 196 sample areas.⁵ The number of strata may be reduced in a sample area to ensure a sample size that allows for test representation in each month of each quarter. A few sample areas may be redefined, and samples adjusted accordingly, where statistical data collection staff is extremely limited and where there is no expected improvement in this situation in the foreseeable future.

Specific products which are not expected to be affected by this increase include First-Class Presort, Standard Mail, Parcel Select, and Parcel Return Service. This is because the source for revenue, volume and weight for these categories is supplied through the Bulk RPW system. Some components of Package Services, First-Class Mail single-piece and Priority may see slight increases in the CV for RPW Report mail revenue, volume and even less of an increase for UVVC CVs. Origin by destination ZIP Code pair mail volume statistics will be less reliable as fewer observations will be available. These data are used occasionally by Postal Service Operations.

IMPACT:

Sample size reductions reduce data collection cost, and slightly decrease precision of some product estimates (i.e., increase the CV). The product estimates remain unbiased by the nature of the probability statistical sample design.

A reduction of 25,600 tests is an approximate \$6 million dollar annual data collection cost reduction.

⁴ The coefficient of variation is expressed as the ratio of the estimated standard error divided by the estimate itself.

⁵ A sample area corresponds generally to a geographic Processing and Distribution Center encompassing one or more 3-digit ZIP Code areas.

Proposal One

Attached to this document are two tables. Table 1 provides the estimated FY2008 coefficient of variations and the coefficients of variation that would have resulted in FY2008 with a 20 percent reduction in the sample. FY2008 is provided since this is the last full Fiscal Year of available data. Table 2 provides a similar analysis for CRA UVVC CVs. Nine major mail category CVs are provided for both the 'full sample' (FY2008 sample size of 128,000) and the sample based on a 20 percent sample size reduction from FY2008 levels.

The impact of the sample reduction for both the revenue and volume CVs and UVVC CVs are minimal for the already very small numbers. For example, the First-Class single-piece revenue CV would be expected to increase from 0.26 percent to 0.31 percent, or an increase of 0.05 percent. The UVVC CV for the same category (Table 2) increased only 0.01 percent (from 0.30 percent to 0.31 percent). The increase is the greatest in the First-Class Mail categories as the sample reduction was taken in strata most associated with this product category (i.e., letter and flat MEP strata).

PROPOSAL ONE

Table 1: Expected FY 2008 RPW Report Revenue and Volume Coefficient of Variation (CV) Impacts for a 20% Reduction in ODIS-RPW Fiscal Year Sample Size 1/ 2/

	Coefficient of Variation			
	Revenue		Volume	
	Full Sample	20% Reduction	Full Sample	20% Reduction
First-Class Single-Piece Letters	0.26	0.31	0.35	0.43
First-Class Single-Piece Cards	1.46	1.50	1.47	1.51
First-Class Flats	1.16	1.16	1.44	1.44
First-Class Parcel	1.73	1.79	2.31	2.39
Package Services Single Piece Parcel Post	1.00	1.04	1.11	1.15
Package Services Bound Printed Matter Flats	0.18	0.19	0.07	0.08
Package Services Bound Printed Matter Parcels	0.15	0.16	0.08	0.08
Package Services Media and Library Mail	0.59	0.61	0.53	0.54
Priority Mail	0.41	0.43	0.93	0.97

1/ Product categories that are unaffected by the sample reduction include Standard Mail, Periodicals, International, Express Mail, Parcel Select, Parcel Return Service and Negotiated Service Agreements
 2/ Computations are not performed for Services

Table 2: Expected FY 2008 Unit Volume Variable Cost Coefficient of Variation (CV) Impacts for a 20% Reduction in ODIS-RPW Fiscal Year Sample Size 1/ 2/

	Coefficient of Variation			
	Cost per Piece		Cost Coverage	
	Full Sample	20% Reduction	Full Sample	20% Reduction
First-Class SP Letters	0.64	0.68	0.59	0.62
First-Class Cards	2.37	2.40	2.37	2.39
First-Class Flats	1.71	1.71	1.48	1.48
First-Class Parcel	2.70	2.77	2.23	2.27
Package Services Single Piece Parcel Post	2.20	2.22	2.14	2.16
Package Services Bound Printed Matter Flats	2.99	2.99	3.00	3.00
Package Services Bound Printed Matter Parcels	2.13	2.13	2.13	2.13
Package Services Media and Library Mail	2.17	2.17	2.18	2.19
Priority Mail	1.42	1.44	1.15	1.15

1/ Product categories that are unaffected by the sample reduction include Standard Mail, Periodicals, International, Express Mail, Parcel Select, Parcel Return Service and Negotiated Service Agreements
 2/ Computations are not performed for Services

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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