

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Dan G. Blair, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Ruth Y. Goldway; and
Tony L. Hammond

Modification of Analytic Principles in Periodic
Reporting (Proposals Three Through Nineteen)

Docket No. RM2009-10

NOTICE OF PROPOSED RULEMAKING ON ANALYTIC
PRINCIPLES USED IN PERIODIC REPORTING
(PROPOSALS THREE THROUGH THIRTEEN)

(Issued July 31, 2009)

On July 28, 2009, the Postal Service filed a petition to initiate an informal rulemaking proceeding to consider changes in the analytical methods approved for use in periodic reporting.¹

The proposals described by the Petition fall into several groups. The Postal Service describes Proposals Three through Seven as “errors detected in some of the programs and spreadsheets used to prepare the ACR filing...” *Id.* at 1. The Petition notes that providing advance notice of such corrections is not mandatory but observes that it is potentially beneficial to the compliance review process, and for that reason the Postal Service voluntarily provides such notice. *Id.* at 1.

¹ Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytic Principles (Proposals Three-Nineteen), July 28, 2009 (Petition).

The Postal Service describes Proposals Eight through Ten and Eighteen as “updates based on operational changes or data system improvements.” Proposal Eight involves new distribution factors for Special Purpose Routes; Proposal Nine involves new items in Rural Evaluation Factors; and Proposal Ten involves a new Rural distribution for DPS/Sector Segment (letters). Proposal Eighteen involves a disaggregation of TRACS data to distribute Surface CP costs between Canada and the rest of the world. *Id.* at 2.

Proposal Eleven concerns the use of booked versus imputed values for certain international mail costs and revenues. The Petition notes that in preparing its FY 2008 Annual Compliance Determination (ACD), the Commission relied on booked values and adjusted the Postal Service’s FY 2008 International Cost and Revenue Analysis (ICRA) to be consistent with that approach. The Petition observes that “if the [Commission’s] intent is to consistently use booked values in place of imputed values, the methodology underlying the FY08 ACD needs to be improved.” *Id.* The Postal Service offers what it regards as a suitable improved method of applying booked values which applies booked values for attributable costs as well as for revenues. The Postal Service, however, asserts that providing an ICRA that relies on imputed values continues to have value. Therefore, it requests permission to file an alternative ICRA with its periodic reports that applies imputed values to the costs and revenues in question. It notes that in FY 2010, it will institute a new Foreign Payment System that will use an “accrual methodology that is more similar to the imputed methodology...” See *id.* at 2-3, and Proposal Eleven at 1-2, attached to the Petition. The alternative ICRA’s are provided under seal. See Library Reference USPS-RM2009-10/NP1, FY 2008 International Cost and Revenue Analysis (ICRA) Report for Imputed and Booked Calculations.

Proposals Twelve through Fourteen concern special studies for Periodicals, Standard Mail, and Parcels, respectively. Proposal Twelve is premised on the belief that the Commission’s FY 2008 ACD estimate of the percent of Incoming Secondary Periodicals flats sorted mechanically is contrary to the logic of the Periodicals cost model accepted in Docket No. RM2009-1. See supporting rationale for Proposal

Twelve attached to the Petition, at 1-3. Proposal Thirteen exploits the fact that with respect to Standard Mail, the FY 2008 CRA report was expanded by adding separate line items for letters, flats, and NFMs/parcels. The Postal Service proposes to use these estimates to develop separate destination entry cost avoidance estimates for Standard Mail letters, flats, and NFMs/parcels.

Proposal Fourteen takes advantage of the fact that FY 2008 mail processing and transportation cost data are separately available for single-piece Parcel Post, Parcel Select, and Parcel Return Service. This makes it possible to develop mail processing and transportation cost models for each product that separate costs by point of entry. The proposed cost models are presented in library references under seal. See Library Reference USPS-RM2009-10/NP2, Nonpublic Materials Relating to Proposals Fourteen and Eighteen.

Proposals Fifteen through Seventeen are proposals to make refinements to volume and revenue reporting. Proposal Fifteen would expand the use of Point of Sale (POS) data from retail terminals to report revenue and associated attributes from pieces to which a PVS strip has been applied at the window. Proposal Sixteen would establish a new set of distribution factors for allocating Certificate of Mailing fee revenue back to products. Proposal Seventeen would improve revenue, piece, and weight reporting for Free Military Mail. Petition at 3.

Proposal Nineteen² relates to the calculation of bundle costs in the Periodicals "Bundle Passthrough" worksheet. The Petition notes that in the FY 2008 ACD, the Commission used the costs of bundles in sacks, rather than the weighted average costs of bundles in both sacks and pallets, to estimate the costs avoided by Periodicals. Proposal Nineteen seeks to explore whether this change was intended or inadvertent.

The attachment to the Postal Service's Petition explains its proposals in more detail, including the background, objective, rationale, and estimated impact of each.

² The Petition, at 3, inadvertently refers to Proposal Nineteen as "Proposal Twenty."

It is Ordered:

1. The Petition of the United State Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytic Principles (Proposals Three-Nineteen), filed July 28, 2009, is granted.
2. The Commission establishes Docket No. RM2009-10 to consider the matters raised by the Postal Service's Petition.
3. Interested persons may submit initial comments on or before August 20, 2009.
4. The Commission will determine the need for reply comments after review of the initial comments.
5. Kenneth R. Moeller is designated to serve as the Public Representative representing the interests of the general public in this proceeding.
6. The Secretary shall arrange for publication of this Notice in the *Federal Register*.

By the Commission.

Judith M. Grady
Acting Secretary