

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Modification of Analytic Principles in  
Periodic Reporting (Proposal Two)

Docket No. RM2009-7

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued August 6, 2009)

To clarify the basis of the Proposal Two, the Postal Service is requested to provide a written response to the following questions. Answers should be provided no later than August 20, 2009.

1. Please describe what precludes the updating of the BRPW panels, specifically the adjustment of the inflation factors (survey weights) to reflect the conversion of some offices to PostalOne!.
2. In its Petition at 2, the Postal Service observes that its proposed approach “relies on the intuitively satisfying assumption that similarly-sized post offices with similar revenue will have similar mail characteristics.” Are there actual results that support the contention that the mail characteristics for the smaller PostalOne! offices are a proxy for the characteristics of the non-automated offices of similar size?
3. What would be the impact of the proposed change on unit costs in FY 2008 for In-County Periodicals and other low-volume mail products?
4. On July 31, 2009, the National Newspaper Association filed comments on the Postal Service’s proposal. See Comments of National Newspaper Association, July 31, 2009 (NNA Comments). NNA’s Comments include seven questions that

it suggests the Commission put to the Postal Service. *Id.* at 7-9. Those questions that relate to Proposal Two are reproduced below.

- (a) USPS said it surveyed 4,100 offices with Periodicals activity. Appendix B, Table 1, of its Proposal shows 7,125 nonautomated offices amassed into their stratum groupings.
  - (i) Does that mean over 3,000 nonautomated offices had no Periodicals mailings in the measured quarter?
  - (ii) If 7,125 offices are nonautomated, what system captures revenue totals that would enable the survey designers to eliminate them from the census?
  
- (b) Which AIC code is presently used to capture revenue totals for Within County?
  - (i) Is it AIC 135, formerly used for all periodicals, or is AIC 224 presently in use? If AIC 135 or some other class-level accounting code is used, how does the Postal Service determine revenues for Within County mail?
  - (ii) Has USPS ever audited its nonautomated offices to determine whether they reliably report Within County revenues by the correct AIC?
  - (iii) Was the revenue total for the quarter measured ever matched to the results of the 4,100 office survey, and if so, was the reported revenue an amount that would be presumed from the volumes reported in the census? If not, why not?
  
- (c) Will the strata used for the matching in the proposed model remain the same as reported in Table 1?

- (d) The Postal One offices in the 3 lowest strata represent 43, 31 and 17 percent of the total offices in those strata, respectively.
  - (i) What proportion of Within County volumes come from those three strata?
  - (ii) What are the high-low ranges of potential volumes that reliably could be estimated from the model, given the disproportionate numbers of nonautomated offices in those strata?
  - (iii) Would the Postal Service expect the volume estimates from the new model to report less dramatic swings in year-to-year or even quarter-to-quarter results than those that came out of the old sampling panels?
- (e) What was the cost of producing the census with a 91% response rate?
  - (i) What would be the cost of producing quarterly reports from an updated sampling model?
  - (ii) What about annual reports? Would it be reasonable to replace the sampling model with an actual annual census for Within County mail?
  - (iii) Were most of the 9% of nonreporting offices in the lowest strata? What could be done to encourage their participation in the future, should the Commission require a periodic volume census for the subclass?
- (f) The Postal Service reports the pace of conversion of nonautomated offices to Postal One in Appendix A, Table 2. It appears that the conversion rate has slowed considerably in FY 2009.
  - (i) Is the slower rate expected to continue?
  - (ii) Has the Postal Service reached its anticipated ceiling for these conversions, given the smaller and more rural nature of the

remaining nonautomated offices? Will some of these offices be closed, in light of the Postal Service's continued rationalization of its network and post office operations?

- (iii) How many offices are likely to remain nonautomated throughout their tenure as operating offices, and what proportion of Within County mail volumes are likely to need to be estimated through some non-census method for the foreseeable future?

By the Chairman.

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