

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

Docket No. RM2009-10

**COMMENTS
OF
THE PARCEL SHIPPERS ASSOCIATION**

The Parcel Shippers Association (PSA) submits these comments in response to Commission Order No. 269, dated July 31, 2009, inviting interested persons to submit comments on proposed changes to the analytical methods used in periodic reporting. PSA supports Proposal Eleven – Proposed Methodology for International Cost and Revenue Analysis (ICRA) Reporting Using Audited Accounting Revenues and Expenses – and recommends that the Commission accept the proposal.

Specifically, an inconsistent methodology was used to estimate International Mail revenues and expenses in the FY 2008 Annual Compliance Determination (ACD). As described by the Postal Service in its petition¹, the FY 2008 ACD methodology used accrued revenues (which rely on volumes and weights from the previous year) and imputed expenses (which rely on volumes weights from the fiscal year being reported), creating a temporal mismatch between International Mail revenue and expense estimates. Put simply, International Mail revenues are based upon volume and weight information from a different time period than are expenses.

Proposal 11 would correct this mismatch by consistently using accrued amounts for both International Mail revenues and expenses². Eliminating this inconsistency is a clear improvement that should be adopted in the preparation of the FY 2009 Annual Compliance Report and ACD.

¹ Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three – Nineteen) (July 28, 2009), Proposal 11 at 1.

² USPS would also prepare an alternative version of the ICRA that consistently uses imputed International Mail revenues and expenses.

Furthermore, while PSA does not advocate retroactively incorporating all new analytical methodologies into previous-year financial statements, the Postal Regulatory Commission should require the Postal Service to recalculate FY 2008 competitive product net income based upon the Proposal 11 methodology and credit the Competitive Product Fund with the resulting additional net income.

As the Postal Service stated, “[t]he apples-to-oranges ACD methodology thus appears to have led to a misstatement of the FY08 net income of Competitive Products, before the required contribution to institutional costs.” USPS Petition, Proposal 11 at 4. While the misstatement of competitive product net income did not result in a finding of noncompliance with the appropriate share requirement in FY 2008, it understated the contribution of competitive products by \$64 million and thus the year-end balance of the Competitive Product Fund. Ibid.

Respectfully submitted,

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