

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

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

Modification of Analytic Principles  
Used in Periodic Reporting  
(Proposals Twenty-Six through Twenty-Eight)

Docket No. RM2010-5

PUBLIC REPRESENTATIVE COMMENTS  
IN RESPONSE TO ORDER NO. 352  
(December 17, 2009)

Introduction

On December 1, 2009, the Postal Service (“USPS”) filed a Petition for a Proposed Methodology change in Analytical Principles with the Postal Regulatory Commission (“Commission” or “PRC”). A Commission Order<sup>1</sup> stated that public comments were due by December 17, 2009, and appointed the undersigned Public Representatives. The Public Representatives encourage the Commission to accept these changes in methodology for the reasons discussed in the body of these comments.

Proposals

*Proposal Twenty-Six.* The Postal Service proposes to change the method for calculating the number of pieces sent through Alaska Bypass Parcels. The current approved methodology uses a sampling system that “estimates revenue and pieces

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<sup>1</sup> Order No. 352 - Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposals Twenty-Six through Twenty-Eight) December 3, 2009.

(number of parcels) using stratification techniques based on sampling survey data provided by Alaska Bypass 'shippers' and available total census weight data ... . Shipper records contain weight and the Postal Service dispatching system called Surface-Air Management System Alaska, or S-AMS Alaska allows for aggregated weight to be obtained for reporting. Therefore, weight is based on census information." Notice at 4. This methodology has become outdated due to the rate changes effective May 11, 2009. With these new rates, the Postal Service changed the pricing methodology to the Bypass Palletized Rate Application (BPRA). In an effort to reduce the impact of the rate increase, the Postal Service now charges for the entire weight of the pallet, instead of the weight of the individual pieces. The methodology for obtaining the weight of Alaska Bypass mail is unchanged between the old and new methods; census data is available. Under the new method, the S-AMS census data will be used to gather the total weight of every pallet, and then the BPRA method will be applied to calculate the revenue for each pallet.<sup>2</sup> To determine the number of pieces, the total weight of each pallet will be divided by 70, the maximum weight per piece. The calculation will be rounded up to determine volume per pallet. The parcels per pallet will then be summed across all pallets to develop a national total volume. Complete, or 'census', data will be available for revenue and pieces in addition to the already available weight. The Postal Service states that the proposed census method for calculating volume will be more accurate, as it will not rely on a sample.

*Proposal Twenty-seven.* The Postal Service proposes to change the methodology for obtaining the CSBCS productivity from using MODS data to IOCS data. This proposal is necessary because the MODS operation number for the CSBCS operation has been discontinued. The Postal Service further states, "Adjustment of the throughput data is necessary because the machine runtime used in the throughput calculation does not include the totality of paid work time. Other paid work time may include productive activities such as setting up machines and obtaining/disposing of empty equipment, and overhead-type activities such as paid break time and clocking in

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<sup>2</sup> Revenue is calculated by the following formula :  $((\text{Pallet Weight}) - (\text{Pallet Tare Weight}))/70 = (x)$ , Remainder  $(y)$   
 $((x) * \text{Zone Applicable Rate}) + (y) = \text{Rate of Bypass Palletized Rate (BPR)}$

or out.” Notice at 6-7. Proposed productivity will be calculated as: Productivity = throughput rate x runtime share of total work time. CIR #1 question 2 concerned this methodology, and how overhead activities were or were not included. The data used in this proposed methodology are reasonable, and it appears that most of the remaining CSBCS cost occurs in non-MODS offices.

*Proposal Twenty-eight.* Because Single-Piece Parcel Post no longer contains multiple products, the Postal Service believes it is no longer necessary to include the model showing cost differences between products. Since this is a CRA level product, all of the information necessary to ascertain compliance will be available without the specifics the model included.

### Comments

The Public Representatives have reviewed these proposals and encourage their adoption. Proposal Twenty-Six is a necessary change in methodology due to a change in revenue calculation. This rate calculation change was necessary to provide relief to mailers who need it the most, and prevented sizable rate shock. Moving to a method that uses a census is superior to one that uses a sample. Proposal Twenty-Seven is more troublesome, because it is not entirely clear why the MODS operation is no longer being used if the machine is in use. That this information was not presented until December is more troubling. However, the Postal Service response to CIR 1 clarified uncertainties regarding the calculation method, and that method is sound. The Postal Service should submit more calculation methodology information when it submits proposals of this kind to more fully develop the record and allow for faster analysis in

future proposals. Proposal Twenty–Eight is a rational response to the reduction in rate categories in that product.

Respectfully submitted,

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