

UNITED STATES OF AMERICA
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 Analytical Principles
in Periodic Reporting
(Proposal Twenty-Nine)

Docket No. RM2010-6

Comments of the Public Representative in Response to Order No. 363

(January 11, 2010)

I. Background

In this docket, the Postal Service requests a modification of Analytic Principles for the calculation of the percent of Periodicals that receive a Mechanized Incoming Secondary sort for use in the Periodicals Flats Costs Model. A Commission Order¹ appointed the undersigned Public Representative, and a separate filing extended the deadline for comments to January 11, 2010.² The Postal Service Petition³ states that this modification is “necessary to allow the models to avoid an implausible “Auto/Mech factor” input.”⁴ The Mechanization factor was subject to another rulemaking this year, Proposal Twelve, accepted by the Commission in Order No. 339. In that proposal, the Postal Service sought to alleviate concerns of the Commission and other interveners that the proposed method may result in a factor illogically above one. The Postal Service states that if necessary, it “would investigate and perhaps adjust the coverage factors and other model components.”⁵ Updated for FY09 data, this factor would be

¹ Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Twenty-Nine) (Issued December 16, 2009).

² A Notice of Change in Comment Date (December 23, 2009)

³ Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytic Principles (Proposal Thirty), December 11, 2009 (Petition).

⁴ Petition at 1.

⁵ Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytic Principles (Proposals Three - Nineteen). (July 28, 2009) Proposal Twelve at 3.

problematic without further adjustment, necessitating the current proposal. Because the Periodicals model will not work properly without this adjustment, the Public Representative encourages the Commission to accept the proposed methodology. Due to the difficulties with this factor, however, the Commission and the Postal Service should continue to look for Periodicals-specific data that might be more stable for use in future ACD cases.

II. Proposal

The current accepted methodology for calculating the Mechanization factor can be simplified as follows: Total AFSM IS Piece Handlings/RPW Non-Carrier Route Flats. The current proposal would adjust the numerator to remove Letter and Parcel handlings by the percentage of AFSM and USFM costs assigned to Letters and Parcels. The new formula is: $((\text{Total AFSM IS Piece Handlings}) \times (\text{Flat AFSM and USFM IOCS Cost} / \text{Total AFSM and USFM IOCS Cost})) / (\text{RPW Non-Carrier Route Flats} + \text{CR Flats from Broken Bundles in non-Destination Containers})$

III. Analysis

This proposal is not without its flaws, but the result for FY09 is logical. The use of data for all Flats to derive a Periodicals-specific Mechanization factor is questionable at best. This is necessitated by a lack of MODS data by class, which the Postal Service is understandably unable to collect. Inputs from yearly updatable data are usually superior to hard-coded estimates without underlying data, as the mechanization factor was initially envisioned. However, improving the R2005-1 estimate has been difficult. The adjustment to remove Letter and Parcel handlings is an improvement, beyond getting the model to a working state. Ideally, the factor should be Periodicals-specific. In the interim, it is reasonable for the factor to be at least Flats-specific, which removing Letter and Parcel handlings is a step toward. The method for removing Letter and Flat handlings may have room for improvement in future years, as it is unlikely that the unit costs for Flats handled on the AFSM and USFM precisely match the unit costs of Letters and Parcels. Without specific data, one can only guess which is more or less expensive. The Postal Service may want to look for usable data in this area in future years.

IV. Conclusion

The Public Representative encourages the Commission to approve the implementation of Proposal 29. The Public Representative also commends the Postal Service for providing linked spreadsheets with all relevant calculations in a straightforward matter concerning this proposal in the ACR for 2009.

Respectfully submitted,

/s/ John P. Klingenberg

John P. Klingenberg
Public Representative