

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING

Docket No. RM2010-10

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING INITIATION
OF A PROCEEDING TO CONSIDER PROPOSED CHANGES IN ANALYTIC
PRINCIPLES (Proposal Two)
(June 25, 2010)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a proceeding to consider a change in analytic principles relating to the Postal Service's periodic reports. The proposal, labeled as Proposal Two, is discussed below, and in greater detail in the attached text documentation. (Proposal One for this year was filed as Docket No. RM2010-8 on February 9, 2010. See Order No. 424, March 17, 2010.)

Proposal Two falls in a somewhat unique posture compared with previous filings by the Postal Service under Rule 3050.11. This is because, in one sense, the proposal is composed of two separate proposals, either of which could stand independently. But the two component proposals also overlap, and are so closely related as to warrant simultaneous consideration. Overall, the intent of Proposal Two is to seek adjustments to the ODIS/RPW sampling frame. The first component proposal, hereinafter referred to as Proposal Two-A, in essence seeks reconsideration of the proposal submitted last year as Proposal One and considered by the Commission in Docket No. RM2009-5. In that docket, as part of organization-wide efforts to economize and reduce costs, the

Postal Service proposed to reduce the ODIS-RPW sample size by 20 percent, starting in Quarter One of FY 2010. See, Postal Service Proposal One Petition, Docket No. RM2009-5 (June 22, 2009). In Order No. 396 (Jan. 21, 2010), the Commission declined to approve the proposed 20 percent reduction. In Proposal Two-A for this year, the Postal Service is seeking authorization for the same 20 percent reduction in the ODIS-RPW sample size proposed last year.

In Proposal Two-B, however, the Postal Service is simultaneously seeking approval to allocate 10 percent of the current ODIS-RPW sample size to a special study utilizing an alternative sampling frame (as explained in greater detail below). But, overall, the Postal Service in Proposal Two is not seeking an aggregate reduction of 30 percent (20 percent plus 10 percent) in the ODIS-RPW sample size. Instead, the relationship between the two component proposals is as follows. If the Commission approves the full 20 percent reduction proposed in Proposal Two-A, the Postal Service would simply allocate half of that 20 percent reduction (i.e., 10 percent) to the special study, in accord with Proposal Two-B. If the Commission were instead not inclined to approve the full 20 percent reduction advanced in Proposal Two-A, though, the Postal Service would nonetheless still request authorization to implement the reallocation of 10 percent of the current sample to the special study contemplated in Proposal Two-B. In neither case, thus, would the aggregate effect exceed the 20 percent reduction of the current sample size sought last year in Docket No. RM2009-5, and sought once again this year in the form of Proposal Two-A.

Proposal Two-A directly seeks approval to for a straight percentage reduction in the ODIS-RPW sample size. The Origin-Destination Information System - Revenue,

Pieces and Weight (ODIS-RPW) is a probability-based destinating mail sampling system used to support the Postal Service's many varied business needs for mail revenue and volume. ODIS-RPW primarily supplies official RPW estimates of revenue, volume and weight for single-piece stamped and metered indicia mail. As part of organization-wide efforts to economize and reduce costs, the Postal Service once again proposes to reduce the ODIS-RPW sample size by 20 percent, starting in Quarter One of FY 2011. As described in the attachment for Proposal Two-A, however, the proposed sample size reduction is designed to minimize the impact on the accuracy of the estimates, and the Postal Service is convinced that the resulting outputs will be of sufficient quality to support the purposes of the ODIS-RPW system. The concerns identified by the Commission when denying last year's similar request in Order No. 396 are also addressed in that attachment.

Proposal Two-B, on the other hand, seeks approval to allocate 10 percent of the current ODIS-RPW sample size to a special study utilizing an alternative sampling frame. A sampling frame is the collection of sampling units upon which the ODIS-RPW sample is drawn and subsequent data collection takes place. With this proposal, the Postal Service proposes to develop a future sampling methodology to adapt to mail processing operations, utilize known Delivery Point Sequence machine counts to improve statistical precision, and also prepare to adapt to proposed five-day delivery, if necessary. The proposed study is designed to minimize the impact on the precision of the ODIS-RPW estimates used in RPW Reporting, and provide equivalent sub-national data for all other purposes. The Postal Service is convinced that the resulting outputs will be of sufficient quality to support the purposes of the ODIS-RPW system, and other

uses of these data. Unless the Commission were already approving a sample size reduction sufficient to accommodate the 10 percent re-allocation necessary to conduct the special study contemplated, however, Proposal Two-B would appear to fall within the ambit of Rule 3050.11 as a proposed change in sample design. See Order No. 104 (August 22, 2008) at 28. The details of the special study exercise are further described in the attachment labeled as Proposal Two-B.

As indicated above, approval by the Commission of the overall 20 percent reduction sought in Proposal Two-A would essentially obviate the need for the Commission to formally address Proposal Two-B. The Postal Service believes that approval is fully warranted. Even in that case, though, it would obviously still be useful for the Commission and the parties to be informed of the direction the Postal Service is contemplating moving with its ODIS-RPW sample design, as reflected in the special study approach described in Proposal Two-B. If Proposal Two-A were approved, the Postal Service would re-allocate 10 percent of the ODIS-RPW sample to conduct the Proposal Two-B special study, and would eliminate another 10 percent of the sample to reduce expenses. Alternatively, even were the Commission inclined to deny Proposal Two-A again, there would still be ample independent reasons to consider and approve Proposal Two-B. In either instance, however, prior to entirely replacing the current ODIS-RPW sample design with the approach sought to be tested in Proposal Two-B (assuming that step subsequently appears to be warranted by the results of the special study), the Postal Service would first seek approval in a subsequent Rule 3050.11 petition.

Therefore, the Postal Service requests that the Commission initiate a rulemaking and approve Proposal Two-A. In the alternative, the Postal Service requests that the Commission approve Proposal Two-B.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Proposal Two-A

PROPOSED REDUCTION IN ODIS-RPW SAMPLE SIZE

OBJECTIVE:

A change is proposed to reduce the sample size for the ODIS-RPW sampling system beginning Quarter 1, Fiscal Year (FY) 2011.

BACKGROUND:

The Origin-Destination Information System - Revenue, Pieces and Weight (ODIS-RPW) is a probability-based destinating mail sampling system. ODIS-RPW primarily supplies official RPW estimates of revenue, volume and weight for single-piece stamped and metered indicia mail. The remaining mail volume and revenue reported in the Revenue, Pieces and Weight (RPW) Report is accounted for through 'census' like sources such as PostalOne! and Point-of-Sale (POS).¹ ODIS-RPW data is also used to “develop proposals for new postal rates and fees, assist in budget and workload preparation, conduct management studies, and inform or support management decisions concerning mail flow and transit time in transportation and operations” (R2006-1, testimony of witness Pafford; USPS-T-3; see also response to ChIR No.1, Q6 in Docket No. RM2009-5).

ODIS-RPW employs a multi-stage stratified sample design for sampling the universe of mail delivered or 'exiting' the Postal Service. All mail is partitioned into frame units, as part of a sampling frame. The frame unit is the Mail Exit Point or MEP.² MEPs are stratified prior to sampling as a means to improve the precision of estimates of mail revenue, volume and weight. The sampling unit is a MEP-day; a randomly selected 24-hour period³ for 'testing' the mail that will exit the Postal Service through this MEP. Each quarter the sampling frame is constructed and stratified, and random samples of MEP-days are drawn within strata. Statistical Programs data collectors visit the facility for the randomly selected MEP-day and conduct a statistical programs 'test'. The test encompasses isolating, sampling, and recording the mail characteristics of a portion of the mailpieces on the sampled MEP-day. There are about 128,000 ODIS-RPW tests annually. Each test takes on average about six hours of data collector time to conduct.

¹ ODIS-RPW estimates account for approximately 20 percent of the annual RPW Report volume and 35 percent of the revenue.

² A Mail Exit Point (MEP) is typically either a letter, flat, or parcel mail stream in a postal facility.

³ In some instances, MEP-days are designed to be less than 24 hours, in order to ensure that mail will not be missed or double-counted in a statistical test.

With the Postal Service experiencing a loss in mail volume, cost cutting measures are being explored in all program areas. This includes reduction in statistical testing or sampling where feasible.

PROPOSAL:

Beginning in FY2011, the Postal Service is proposing a 20 percent annual ODIS-RPW sample size reduction, or an approximate reduction of 25,600 tests. The reduction would be spread evenly throughout the four postal quarters. The reduction in tests would be done in such a way as to minimally impact RPW report volume and revenue coefficients of variation (CVs), as well as the Cost & Revenue Analysis (CRA) Unit Volume Variable Cost (UVVC) CVs.⁴

RATIONALE:

ODIS-RPW sample size reductions are planned in sampling strata that are associated with letter and flat mail, where sample sizes are currently large, and where coefficients of variation for RPW Report mail revenue, volume and UVVCs will be minimally impacted. Twenty percent reductions are expected to be generally uniform in each of the approximate 196 sample areas.⁵ The number of strata may be reduced in a sample area to ensure a sample size that allows for test representation in each month of each quarter. A few sample area strata may be redefined, and samples adjusted accordingly, where statistical data collection staff is extremely limited and where there is no expected improvement in this situation in the foreseeable future. If Proposal Two-B were approved, the affected sample area strata and sample size would need to be adjusted as a result of the allocation of some of its tests to the Proposal Two-B study.

IMPACT:

Sample size reductions reduce data collection cost, and decrease precision of some product estimates (i.e., increase the CV). The product estimates remain unbiased under the design by the nature of the probability statistical sample.

Specific products which are not expected to be affected in RPW reporting by this increase include First-Class Presort, Standard Mail, Parcel Select, Parcel Return Service, most Extra Services including Insured, Registered, Certificates of Deposit, Certificates of Mailing, Post Office Box rents, and Other Domestic Services. This is because the source for revenue and volume for these categories is supplied through the Bulk RPW system, Point of Sale (POS), Accounting, or other direct feeds.

Sub-national estimates and their precision levels are impacted more than those at the national level under the proposed sample reduction. Destination three-digit ZIP code,

⁴ The coefficient of variation is expressed as the ratio of the estimated standard error divided by the estimate itself.

⁵ A sample area corresponds generally to a geographic Processing and Distribution Center encompassing one or more 3-digit ZIP Code areas.

origin three-digit to destination three-digit ZIP code pairs and Customer Service District (hereafter referred as 'district') volumes are the sub-national volumes used by the USPS. As an approximate rule, destination three-digit ZIP code volume CVs would increase on average twelve percent (see response to ChIR No.1, Q.5, Docket No. RM2009-5). This rule would also apply to district volumes. No attempt was made to calculate the impact on precision for three-digit ZIP Code pair volumes as users of these data have said that their systems would be minimally impacted (see responses to ChIR No. 3 Q6 through Q8, and testimony at the September 2, 2009 technical conference) and because the time and effort to conduct simulation studies would be cost prohibitive (see responses to ChIR No.1, Q.4 and Q.5; ChIR No. 3, Q.2 through Q.7, Docket No. RM2009-5).

A reduction of 25,600 tests is an approximate \$6 million dollar annual data collection cost reduction.

Attached to this document electronically in an Excel file (Prop.2.A. Redacted. Tables.1.2.3.xls) are Tables 1 and 2. Table 1 provides the estimated FY2009 coefficient of variations and the coefficients of variation that would have resulted in FY2009 with a 20 percent reduction in the sample. FY2009 is provided since this is the last full Fiscal Year of available data. Table 2 provides a similar analysis for CRA UVVC CVs. Nine major mail category CVs are provided for both the 'full sample' (FY2009 sample size of 128,000) and the sample based on a 20 percent sample size reduction from FY2009 levels. Table 1, for example, shows that the First-Class single-piece revenue CV would be expected to increase from 0.26 percent to 0.32 percent, or an increase of 0.06 percentage points. The UVVC CV for the same category (Table 2) increased only 0.04 percentage points (from 0.74 percent to 0.78 percent). The increase is the greatest in the First-Class Mail categories, as the sample reduction was taken in strata most associated with this product category (i.e., letter and flat MEP strata). An inspection of the CVs in these tables reveals that the impacts of the sample reduction for both the national level revenue and volume CVs and UVVC CVs are minimal for the already very small numbers.

Some components of Package Services, First-Class Mail single-piece, Priority and Extra Services may see increases in the CV for RPW Report mail revenue and volume.

DISCUSSION OF ISSUES RAISED IN ORDER NO. 396:

Last year, when the Postal Service advanced the same proposed 20-percent reduction in the ODIS-RPW sample size, the Commission declined to approve it. The Commission's reasoning was discussed in Order No. 396 (Jan. 21, 2010). The following discussion addresses the concerns raised in Order No. 396.

Value of the Postal Service “Monopoly” and Estimation of the Cost of Universal Service Obligation Relies on Three-Digit ZIP Code Volumes.

The Postal Service’s USO model relies upon estimates of volumes delivered in each 3-digit ZIP Code in the country. These estimates are constructed, in part, with data extracted from the ODIS-RPW system.

The estimates are compared, by shape, with alternative estimates derived with the Postal Service’s delivery data systems (DOIS, RMCS) to ensure consistency. For an overwhelming majority of ZIP Codes both systems provide comparable data. In the few instances the two estimates cannot be reconciled; if this occurs the ZIP Codes are omitted from the model.

To the extent that the proposed reduction in the ODIS-RPW sample size reduces the availability of reliable volume data at the 3-digit level, it could reduce the coverage of the USO model as more ZIP codes could be excluded from the model. However, the impact on the overall estimate USO costs is likely to be modest and the impact could be mitigated by making more extensive use of other data systems such as the Carrier Cost System.

Mail Processing and Transportation Networks are Optimized Using Three-Digit ZIP Code Volumes

As part of Order No. 396, the Commission identified different uses of the ODIS sampling to justify its opinion. Specifically related to Network Development and Support’s (NDS) role, it cited the response to Chairman’s Information Request No. 1, Question 6:

Please list all of the Postal Service’s models and studies that have relied on ZIP Code level mail volume statistics in the past three years or are expected to rely on them in the future.

The Postal Service responded specifically to network planning tools as follows:

“In addition to the USO work done by Prof. Bradley and IBM, the Postal Service Network Development & Support functional group designs network planning tools which utilize origin/destination 3-digit ZIP Code data. This includes models for LogicNet Plus Optimization and Area Simulation...”

Order No. 396 also indicates “The Postal Service makes use of disaggregated ODIS-RPW volume data in a number of important ways besides measuring service performance...It uses origin/destination 3-digit ZIP Code pair data to optimize its mail processing and transportation networks. These include the use of LogicNet Plus Optimization and Area Simulation models...” (Order No. 396, page 10).

What the discussion in Order No. 396 seems to omit is the subsequent question asked of the Postal Service in the same Chairman's Information Request No. 1, Question 7:

To the extent possible, please quantify the impact of the proposed reduction in ODIS-RPW sample size on the estimates produced by each of the models and studies identified in your response to question 6

Related to Network Planning Tools, the Postal Service responded as follows:

"...reducing the sample in ODIS-RPW would result in minimal impact to network planning tools. While origin/destination 3-digit volumes can be utilized in network planning models, the key inputs with regard to network flow and capacity are now based on other national systems such as End of Run, Surface Visibility, and TIMES."

In addition, at the technical conference the Commission held on September 2, 2009 and attended by Postal Service representatives, Luke Grossmann was specifically asked what the impact would be of this reduction on NDS' network planning tools moving forward. Mr. Grossmann again reiterated it would not have an impact, since the key inputs are now based on national systems such as End of Run, Surface Visibility and TIMES.

The other issue mentioned in Order No. 396 is that the coefficient of variation at the 3-Digit level is currently already large. The Commission goes on to note "This raises serious doubts about the reliability of ZIP Code estimates." This concern was to some extent shared by the Postal Service's Network Development and Support group, which is why that group has diligently sought and obtained more reliable sources for use within its models.

From Network Development & Support's perspective, ODIS-RPW volumes are not used to plan networks, nor are they used within the planning tools including the LogicNet Plus Optimization and Area Simulation models. The key inputs for the network models are now based on other national systems such as End of Run, Surface Visibility, and TIMES. NDS also utilizes new sources of information that continue to be available to assist in network planning activities. These have included delivery confirmation, retail unit volume information obtained from POS terminals and the Intelligent Mail Bar Code in addition to the sources previously identified.

Regarding the Commission's concerns on network optimization models reliance on three-digit pair ZIP code volumes, the Operation's Logistics group will consider alternates to replace ODIS as the sole source for base volume in the Transportation Optimization Planning and Scheduling (TOPS) models. Sources for consideration include Surface Visibility and TIMES, as well as other operations system data.

Regarding the TOPS annual cost described on page 11 of Order No. 396, the total development cost for TOPS is \$20M, as indicated in Question 8. This amount not only

includes the optimization model, but it generates the corresponding dispatch plans and routing instruction for procured transportation, in addition to determining the lowest cost transportation network given the service commitment of the mail. Therefore, the representation on page 12 of Order No. 396 regarding a \$40M plus annual investment is perhaps somewhat overstated.

Flat Cost Modeling Relies on Individual Processing Facility Volumes

In the development of the Flats Coverage Factors, the physical location where mail will be processed is first identified. Then MODS data are used to identify what technology is employed at each facility. Finally ODIS-RPW data are used to determine the destinating volume at each facility.

While it is true that ODIS data by 3-Digit zone are used as an input to the process, the data are not specifically used at the 3-Digit level. The 3-Digit ODIS data are aggregated by technology configuration, which is more aggregated than the district level. Order No. 396 itself acknowledges (page 8; comments relating to larger volume First-Class mail categories) that such data would still be relatively accurate under the reduced sample size. Although the accuracy of the Coverage Factors would be reduced with the reduction in sample size, the reduction would be small, and the estimates would still be unbiased.

In an Excel file (Prop.2.Coverage.Factors) attached to this filing electronically, the Coverage Factors workbook is provided to illustrate these conclusions for the coverage factors for Periodicals destinating pieces. In this workbook, the impact of the ODIS volumes varying by +/- 40 percent is illustrated. Cells O8 to S16 in the Coverage Factors sheet, provides estimates as filed and the simulated results. Entering any value in an empty cell and hitting "ENTER," the EXCEL random number function will generate new results. Repetitions of changed values can be performed with relatively little or no impact on policy decisions.

Service Performance Measurement Relies on Sub-National Volumes

The Postal Service has no further comments regarding the impact on service performance measurement than that provided previously in writing (see responses to ChIR No. 1 Q.6, ChIR No. 3, Q.1-Q.3, Q.6, and Q.7, Docket No. RM2009-5) and orally by Mellissa Start at the September 2, 2009 technical conference.

While service performance measurement systems currently use district volumes, destinating three-digit ZIP Code volumes and origin to destination three-digit ZIP Code volumes, the Consumer Advocate group believes the impact on the service measurement systems would be minimal. The twelve quarter averaging of ODIS-RPW data provides a measure of protection on the impact of service measures both in terms of levels and CVs. In addition, it is expected that the availability/coverage of Full

Service Intelligent Mail and other mail processing systems will reduce the reliance on the ODIS-RPW sample estimated volume.

The Postal Service Uses ODIS-RPW Data Disaggregated Below the Product Level

Order No. 396 also raises concern (page 13) that the precision of ODIS-RPW estimates below the product level, for rate categories and billing determinants, will impair the Postal Services' ability to design rates and accurately calculate caps for the various market dominant classes of mail. Without clear citation to any evidence, and despite many years in which billing determinants produced from ODIS-RPW data were relied upon in postal ratemaking, the Order claims on page 13 that the "reliability of ODIS-RPW estimates at the rate category and billing determinant level is already in doubt."

To allay the Commission's concern regarding the impact on rate categories, we present a summary of the impacted rate categories using FY2009 data. Attached to this document electronically is an Excel file (Prop.2.A. Redacted. Tables.1.2.3.xls) that includes Tables 3. Table 3 provides a list of all rate categories impacted by the ODIS-RPW sample in the FY2009 Extract Report. Highlighted categories are those either reported in Tables 1 and 2, or are very precise Certified and Return Receipt Extra Services⁶. Totaling up all impacted rate categories and subtracting those categories where the impact of the sample reduction has been approximated, the net revenue impact at the rate category level involves only \$138 million dollars (line 246 in Table 3) on the bottom line \$68.1 billion dollar FY2009 revenue. Most of this \$138 million relates to Extra Services. It would seem that the variations on the CVs of these estimates cannot have significant impacts on the Postal Services' revenue.

In terms of the calculation of the price caps, evidence points to limited impact there as well. Attached to this document electronically in an Excel file (Prop.2.Price Cap Analysis.xls) containing the Price Cap Analysis workbook, which shows an analysis of the potential impacts on the cap for single-piece parcel post, Bound Printed Matter Flats, and Media/Library Mail using FY2008 billing determinant volume and ODIS-RPW CVs. The impact on the caps is less than one-hundredth of one percent. It is hard to see how the small expansion in the CV could have a substantive effect on the price cap calculations.

⁶ In Docket No. R2006-1, the calculated CVs for Certified and Return Receipt Revenue were 1.31 percent and 0.34 percent respectively (see witness Pafford's testimony, associated CV table, USPS-T-3).

Proposal Two-B

PROPOSED SPECIAL STUDY OF A CHANGE IN THE ODIS-RPW SAMPLING FRAME

OBJECTIVE:

The Postal Service seeks to allocate ten percent of the Quarters 2 through 4 FY2011 ODIS-RPW sample size, or approximately nine thousand tests, to a special study utilizing an alternative sampling frame based on delivery units. Delivery units include city and rural carriers, box sections, and firms.

BACKGROUND:

The Origin-Destination Information System - Revenue, Pieces and Weight (ODIS-RPW) is a probability-based destinating mail sampling system used to support the Postal Service's many varied business needs for mail revenue and volume. ODIS-RPW supplies official RPW estimates of revenue, volume and weight for single-piece stamped and metered indicia mail. Other uses exist such as for developing proposals for new postal rates and fees, budget and workload preparation, and informing or supporting management decisions concerning mail flow and transit times in transportation and operations (Docket No. R2006-1, USPS-T-3).

ODIS-RPW employs a multi-stage stratified sample design for sampling the universe of mail delivered (or "exiting") the Postal Service.⁷ All mail is partitioned into frame units, as part of a sampling frame. The frame unit is the Mail Exit Point (MEP). A MEP is typically a letter, flat, or parcel mail stream in a post office, station, branch, or associate office. MEPs are typically defined to sample mail as it arrives at the post office prior to distribution to the carriers, box section, and firms. As such, the ODIS-RPW data collector's random selection of containers includes letter trays on their way to many carriers, firms and/or the box section. Delivery Point Sequence (DPS) letter trays, which represent well over 90 percent of all letter mail in the Postal Service, arrive very close to the carrier leaving the station. This allows very little time for the random selection process and data recording. ODIS-RPW data collection is becoming very problematic, because of the small testing window associated with the arriving DPS mail involving many carrier trays. Defining the delivery unit as the ODIS-RPW frame and sample unit will substantially help to alleviate this issue. Prior to Mail Exit Points (early 1990s), the ODIS and RPW sampling frame was based on delivery units.

In addition to Delivery Point Sequencing (DPS) of letter mail, the Postal Service is implementing DPS for flats using the Flats Sequencing System (FSS). DPS and FSS systems sort carrier mail in dedicated letter and flat trays in the sequence of delivery for a carrier. Recently, national systems or data bases of end-of-run DPS machine counts

⁷ For a detailed description of the ODIS-RPW sample design and estimation methodology please refer to Docket No. R2006-1/USPS-LR-L-14.

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provide postal management real-time data regarding the number of mail pieces processed for each city and rural carrier for each day. These counts are relied upon by facility managers in the assignment/scheduling of daily carrier delivery. Use can be made of these known control totals, applied to revenue and volume sample-estimated product distributions, to improve the statistical precision.

Lastly, the Postal Service is seeking to move in the future to five-day delivery. While referred to as five-day delivery, mail would actually be made available to firms and box sections six days a week. MEPs, in their current structure, do not allow for distinguishing which trays go to the carriers and which go to other delivery units. The only feasible solution is to make the delivery unit the ODIS-RPW sampling unit. The Postal Service measures origin-destination 'transit time' based on ODIS-RPW sampling of MEPs, and this calculation will be compromised under the Postal Services' five-day proposal. It is fair to say that the Postal Service is moving away from reliance on the use of ODIS-RPW transit times. However, transit time statistics are relied on by Postal Service Accounting for mail in-transit Postage in-the-hands of the Public (PIHOP) calculations. While the potential movement to five-day delivery is not the primary motivation behind the instant ODIS-RPW proposal, a collateral benefit of the proposed approach is that, when and if five-day delivery is implemented, the approach embodied in the proposed special study would accommodate that transition in ways which the current MEPS structure does not.

The special study proposal discussed below adapts ODIS-RPW to these operational realities and to Postal policy direction, while maintaining the accuracy and precision of the statistical estimates.

PROPOSAL:

Statistical Programs seeks to study a change in the ODIS-RPW sampling frame beginning January 1, 2011 and continuing throughout FY2011. The new sampling frame to be studied will be composed of city and rural carrier routes and special study Mail Exit Points (MEPs) sampling to:

- Align testing with automated mail processing operations, taking advantage of machine counts and accommodating smaller test windows for DPS letters and flats.
- Simplify sampling procedures for data collectors.
- Provide origin-destination volumes and transit times that more closely match delivery times, and allow us to distinguish origin-destination volumes and transit times for five-day and six-day delivery.

Ten percent of the ODIS-RPW sample will be assigned to special study ODIS-RPW data collection utilizing this delivery unit based sampling frame. The ten percent sample is approximately nine thousand tests for Quarter's 2 through 4, FY2011. The special study will be conducted in a subset of current approximate one hundred ninety six

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sample areas.⁸ Limiting the study to a smaller set of sample areas reduces costs of the sampling frame development in the district statistical programs field offices, and limits the potential impact on the ODIS-RPW estimates. Special study sample areas will be selected probability proportional to size (PPS) and will represent the clusters to which the nine thousand tests will be assigned at random and statistical estimates computed. If the Commission's approves Proposal Two-A (and approves Proposal Two-B), the twenty percent ODIS-RPW sample test reduction in the special study sample areas will be used for the special study, plus any additional ODIS-RPW test allocation needed to achieve the special study sample area allocation. If the Commission does not approve Proposal Two-A (and approves Proposal Two-B) the ODIS-RPW sample test reduction in the special study sample areas will equal the required special study test allocation. The intent will be for field staffing in the selected sample areas to be 'workload neutral'. The non-sampled sample areas will be unaffected in terms of ODIS-RPW sampling, data collection and estimation. Statistical estimates will be computed from the special study design and compared with existing ODIS-RPW estimates. The study will encompass revenue and volume estimation techniques that 'control' or ratio to known DPS letter machine counts to improve precision.

IMPACT:

The ODIS-RPW estimates of revenue, volume and unit costs are very precise as reported in Tables 1 and 2 of Proposal Two-A, both before and after the sample reduction. If the Commission were to approve both Proposal Two-A and Two-B, the measures of precision will be no worse than that discussed in Proposal Two-A. This is because the special study sample is a supplement and does not further reduce the already twenty percent ODIS-RPW sample reductions. If the Commission were to approve only Proposal Two-B this would imply that the estimates and precision levels would be no worse than that reported in Proposal Two-A. This is because the effective sample reduction would be ten percent; which is less than the twenty-percent reduction.

Users of sub-national data will see the total number of ODIS-RPW tests and number of records essentially unchanged if only Proposal Two-B were accepted. Both the ODIS-RPW and special study test data would be available for analysis, albeit collected under two different sample designs. Mail piece distributions across ZIP code areas would be unaffected in the non-sampled special study sample areas. Utilizing both the ODIS-RPW and special study samples in the impacted sample areas would result in equivalent mail piece distributional data. If both Proposal Two-A and Two-B were approved, the sub-national data would be at least as good as that discussed in Proposal Two-A. The special study data would supplement the distributional data from the ODIS-RPW tests, effectively reducing the use of sub-national data by only ten percent.

⁸ An ODIS-RPW sample area is defined as a geographic area of one or more 3-digit ZIP Codes and usually represents a Processing and Distribution Center of the Postal Service.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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