

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 Analytic Principles
in Periodic Reporting
(Proposals Three through Eight)

Docket No. RM2010-12

NOTICE OF PROPOSED RULEMAKING ON ANALYTIC
PRINCIPLES USED IN PERIODIC REPORTING
(PROPOSALS THREE THROUGH EIGHT)

(Issued September 13, 2010)

On September 8, 2010, the Postal Service filed a petition pursuant to 39 CFR 3050.11 to initiate an informal rulemaking proceeding to consider changes in the analytical methods approved for use in periodic reporting.¹ Six separate proposals are included in the Petition labeled as Proposals Three through Eight.

Proposal Three involves City Carrier costs. The Postal Service asserts that the City Carrier Cost System is capturing more detailed information regarding direct bundles. The proposal would incorporate this new information by assigning relevant costs for direct bundles to the products that utilize them.

¹ Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytic Principles (Proposals Three–Eight), September 8, 2010 (Petition).

Proposal Four would change the way certain In-Office Cost System (IOCS) acceptance costs are allocated. The change would apply to mailpieces accepted at a window, which bear non-retail indicia, and host an extra service other than Registered Mail.² Currently, acceptance costs are assigned to the extra service. The Postal Service proposes to modify this methodology by assigning acceptance costs to the host mailpiece.

Proposal Five involves utilizing the more detailed information now being captured by the Rural Carrier Cost System regarding collected prepaid parcels. The new information allows the recognition of a distinction between collected prepaid parcels weighing less than or equal to 2 pounds, and those greater than 2 pounds.

Proposal Six involves the International Cost and Revenue Analysis (ICRA). The Postal Service considers this proposal a change in calculation procedure, not an analytical methodology change. The change would separately incorporate the Inbound Processing and Carrier In-Office costs for Canada, Developing Countries and Industrialized Countries into the ICRA model using IOCS. The Postal Service asserts that this incorporates the Commission's methodology for using IOCS tally analysis into the ICRA model.

Proposal Seven would introduce a mailflow-based model of mail processing costs for Standard Mail Parcels and NFMs (Not-Flat Machinables). The Postal Service previously did not have a cost model for mail processing for this product.

Proposal Eight involves the distribution key for distributing empty equipment transportation costs to products. These costs are included in cost segment 14 (purchased transportation). The proposal is to attribute the empty equipment costs to products using a distribution factor that is based on the aggregate pound miles traveled on modes of transportation sampled by the Transportation Cost System (TRACS).

The attachments to the Postal Service's Petition explain each proposal in more detail, including its objective, background, impact, and an empirical example (comparing

² The extra services include Certified, Insured, Return Receipt, Delivery Confirmation, and COD.

the changes in data reporting to the status quo). The Petition, including the attachments, is available for review on the Commission's website, www.prc.gov.

Comments on Proposals Three through Eight are due no later than October 8, 2010.

Pursuant to 39 U.S.C. 505, Cassie D'Souza is appointed as Public Representative to represent the interests of the general public concerning Proposals Three through Six and Eight; and John P. Klingenberg is appointed as Public Representative to represent the interests of the general public concerning Proposal Seven.

It is ordered:

1. The Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytic Principles (Proposals Three–Eight), filed September 8, 2010, is granted.
2. The Commission establishes Docket No. RM2010-12 to consider the matters raised by the Postal Service's Petition.
3. Interested persons may submit comments on Proposals Three through Eight no later than October 8, 2010.
4. The Commission will determine the need for reply comments after review of the initial comments.

5. As noted in the body of this Order, Cassie D'Souza and John P. Klingenberg are appointed to serve as the Public Representative to represent the interests of the general public in this proceeding.
6. The Secretary shall arrange for publication of this Notice in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary