

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

Modification of Analytical Principles in  
Periodic Reporting (Proposals Three  
through Nineteen)

Docket No. RM2009-10

REQUEST OF THE UNITED STATES POSTAL SERVICE TO DELAY  
IMPLEMENTATION OF PROPOSAL FIFTEEN  
(November 18, 2010)

Last year, on July 28, 2009, the Postal Service filed a petition to initiate this proceeding, seeking approval for 17 methodology changes (Proposals Three through Nineteen). Included in that group was Proposal Fifteen, which sought to change the data source used to report revenue, volume, and weight in FY2010 for the portion of domestic mailpieces (First-Class Mail, Priority Mail, Parcel Post, Media Mail, and Library Mail) paid by application of a PVI label at a retail counter using a Point-of-Service (POS) ONE system. For such pieces, the new method was intended to replace ODIS-RPW sample data in FY2010 with data collected in a census system. Later last year, in Order No. 339 (November 13, 2009), the Commission approved most of the Postal Service's proposals, including (on page 39) Proposal Fifteen. Because unexpected complications have arisen regarding the proposed new approach, however, the Postal Service hereby moves to delay implementation of Proposal Fifteen.

The Postal Service appreciates the Commission's interest in improving the precision of our revenue, volume, and weight estimates, and in reducing the uncertainty of those estimates. Our proposal was, of course, intended to have that result. It also

was expected to have a neutral impact on revenue, volume, and weight reporting. Unfortunately, as the new methodology was being incorporated into the production of our annual RPW report for FY2010, it became clear that its impact would not be “neutral”, and, counter to the intended effect, it did not reduce uncertainty. In fact, POS ONE and the sampling estimates of retail products entered through POS ONE offices are significantly different. The difference, approximately 20 percent for this portion of mail for one of the products, cannot be described as neutral, and does not remove uncertainty.<sup>1</sup> This outcome is not consistent with the description of the proposal, which the Commission relied upon on page 39 of its Order. As such, the Postal Service wishes to delay the implementation of this methodological change until FY2011. In the meantime, we will undertake efforts to verify that the change does indeed result in the certainty that is expected with such a methodological change that purports to rely on census data. Those efforts, described below, are intended to ensure that the methodological change is indeed the right course, and will conclude no later than July 1, 2011. In the event that further changes are needed, the Postal Service will submit the appropriate methodological change proposals for consideration.

Specifically, the Postal Service will employ Lean Six Sigma techniques to validate the process for translating the POS information into data that feeds directly into the RPW report. Ongoing efforts to improve our sampling procedures will also

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<sup>1</sup> Twenty percent is the difference in the estimates between the two methods for Priority Mail volume entered at POS ONE offices. Since Priority Mail entered at POS ONE offices is only a subset of total Priority Mail volume, however, the overall effect of this methodological change would be less than 4 percent in FY2010 for total Priority Mail volume at the RPW report level. The revenue effects would be similar. Regardless of which method is used, the Postal Service expects to be able to meet the section 3633(a)(3) (appropriate contribution to institutional cost recovery) target for competitive products in FY2010.

continue<sup>2</sup>, and we will review the specific procedures involved in the sampling process that could have potentially contributed to the aforementioned difference. The Office of Inspector General also routinely reviews sampling procedures, and we hope to focus their reviews on specific areas.

In summary, rather than implement something that has a larger impact than expected, and, more importantly, has a measure of uncertainty regarding the veracity of that change, the Postal Service moves to delay implementation of Proposal Fifteen. The proposal did not clearly project the impact when submitted to the Commission. On balance, it is in the best interest of all parties to obtain the most accurate information, and the Postal Service believes that the course described here will assure that this particular methodological change does just that.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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November 18, 2010

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<sup>2</sup> In fact, on June 25, 2010, the Postal Service submitted a proposed change in analytical procedures (Proposal Two-B, Docket No. RM2010-10) that would redirect some resources used for sampling to testing a revised sample frame. It is hoped that this study would provide direction as to whether there is a better way to sample.

## **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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