

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Modification of Analytical Principles  
in Periodic Reporting  
(Proposals Thirteen and Fourteen)

Docket No. RM2011-6

Comments of the Public Representative in Response to Order No. 626

(February 3, 2011)

I. Procedural History

On December 22<sup>nd</sup>, 2010, the Postal Service filed a Petition<sup>1</sup> requesting a modification of analytic methods with respect to the Parcel Select / Parcel Return Service Mail Processing Model and Transportation models. Commission Order No. 626 appointed the undersigned Public Representative, and set a deadline for comments of February 3, 2011.<sup>2</sup>

II. Proposal Thirteen

In Proposal Thirteen, the Postal Service provides a new Parcel Select/Parcel Return Service Mail Processing Model. This model contains several changes the previous Commission accepted methodology, including:

- Updating the model for current operational practices
- Incorporating new productivity survey data from Proposal Seven
- Incorporating current mailer arrival profile data

Due to the above changes, the model in Proposal Thirteen is an improvement on the current Commission approved methodology. As such, the Public Representative

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<sup>1</sup> Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytic Principles (Proposals Thirteen and Fourteen), December 22, 2010 (Petition).

<sup>2</sup> Order Number 626. Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposals Thirteen and Fourteen) (Issued December 28, 2010).

recommends it should be approved. However, there are a couple of components of the model that can be improved.

a. Proposal Seven Modifications

In Order No. 658<sup>3</sup>, the Commission modified the Postal Service's Proposal Seven Standard Mail Parcel Mail Processing Model with respect to cost pool classification. The Commission found "that the classification of the cost pools can be improved by adhering to the principles outlined in Docket No. R2006-1."<sup>4</sup> The Mail processing model in this docket should be modified to match the intent of the Commission's modification in Order No. 658.

b. Survey Data Quality

As shown in Table 3 of the Public Representative's Comments in Docket RM2010-12,<sup>5</sup> the Special Survey concerning Standard Mail Parcel Productivity contains data that suffers from small sample size and high standard deviation. While the use of this data should not preclude approval of the Parcel Select/ Parcel Return Service Mail Processing Model, the Commission should encourage the Postal Service to perform more rigorous studies of productivity data.

III. Proposal Fourteen

In Proposal Fourteen, the Postal Service provides a new Parcel Select/Parcel Return Service Transportation Model. This model contains several changes the previous Commission accepted methodology, including:

- Estimating non-dropship transportation legs using 2010 PostalOne! Data
- Incorporating RPW volumes
- Using the Parcel Select transportation cost distribution method for Parcel Return Service
- Estimating the RNDC cubic foot miles by zone

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<sup>3</sup> Order Number 658. Order on Analytical Principles Used in Periodic Reporting (Proposals Three through Eight) (Issued January 28, 2011)

<sup>4</sup> Order 658 at 12

<sup>5</sup> Public Representatives Comments in Response to Order No. 534 (October 8, 2010) At 13

This Transportation cost model is intended to align cost allocation with current operations; as such it represents an improvement over the current accepted methodology. The Public Representative recommends the model in Proposal Fourteen be accepted by the Commission.

Much of the source data is difficult to track and trace. In future iterations of the model, the Postal Service should link data in this model to the source data from the CRA, RPW, "B" Workpapers, or special purpose regressions to allow for increased methodological transparency. This is especially true in a few instances:

Volume by Weight Increment and Zone: The cited source of this data is a NonPublic Library Reference with multiple files and folders. The FY10 volume by weight and zone for these products does not appear in the Billing Determinants. For contract accountability, especially with respect to Competitive NSA volumes, the reporting of this data should be refined.

Tab "Regression Inputs": There is no source listed for this (vital) component of the transportation model. To ensure the accuracy of this component, the Postal Service should show how this regression is developed.

#### IV. Conclusion

The Public Representative respectfully submits these comments for consideration.

Respectfully submitted,

/s/ John P. Klingenberg

John P. Klingenberg  
Public Representative

901 New York Avenue NW Suite 200  
Washington DC 20268-0001  
202-789-6863  
klingejp@prc.gov