

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

PERIODIC REPORTING

Docket No. RM2011-9

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING
INITIATION OF A PROCEEDING TO CONSIDER A PROPOSED CHANGE
IN ANALYTICAL PRINCIPLES (Proposal One)
(April 6, 2011)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, labeled Proposal One, is discussed below, and in greater detail in the attached text. (As in years past, because this is the first proposal filed after the most recent ACR, the Postal Service is restarting the numbering of proposals, and contemplates using this numbering sequence until the FY 2011 ACR is filed.)

Proposal One seeks authorization to change the attribution of costs for Fee Group E Post Office Boxes so that such costs are considered institutional. Currently, these costs are treated as part of the attributable costs of Post Office Box Service. As explained in the attachment, the proposal is aimed at more equitably financing Fee Group E Post Office Boxes. It bears noting that the proposal would have no effect on the methodology by which the costs of Fee Group E Post Office Boxes are calculated.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Nabeel R. Cheema

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-7178, FAX: -5402
April 6, 2011

Proposal One

**PROPOSED CHANGE IN COST ATTRIBUTION METHODOLOGY
FOR FEE GROUP E POST OFFICE BOXES**

OBJECTIVE:

The purpose of this document is to propose a methodology change in the attribution of costs for Fee Group E Post Office Boxes. Currently, these costs are treated as part of the attributable costs of Post Office Box Service. Under the change, the cost of Fee Group E boxes would instead be considered institutional.

BACKGROUND:

In its Recommended Decision in Docket No. MC96-3, the Commission found it “equitable to offer one post office box at no charge to any customer ineligible for carrier delivery.” Opinion and Recommended Decision, Docket No. MC96-3 (Apr. 2, 1997), at 62. Group E boxes are made available for the purpose of resolving potential discrimination issues arising from instances in which the Postal Service chooses to provide, or not to provide, customers with a carrier delivery option. This purpose is fulfilled by setting the fee for all Group E box sizes at \$0. Implementation of Fee Group E Post Office Box service thus fulfills the Postal Service policy of affording all customers one form of free delivery. However, the costs associated with Group E boxes, primarily facility-related costs (e.g., rents, building depreciation, custodial, utilities), are attributed to Post Office Box Service. To the extent that this treatment drives up the fees for Post Office Box Service, this means that the customers of Post Office Box Service are inappropriately covering Group E costs incurred by the Postal Service to meet its Universal Service Obligation.

PROPOSAL:

This proposal seeks a more equitable way to finance Fee Group E Post Office Boxes by treating the space-related (and other) costs associated with Group E boxes as institutional. Under this proposal, Group E costs would be paid for by all mailers and not other boxholders alone. The proposal, however, would have no effect on the methodology by which the costs of Group E boxes are calculated. The methodology remains the same as that relied upon in Docket No. ACR2010 and earlier in Docket No. MC2010-20. See USPS-FY10-NP26 – FY2010 Special Cost Studies Workpapers – Special Services, Docket No. ACR2010; see also response one in Response of the United States Postal Service to Chairman’s Information Request No. 1, Docket No. MC2010-20 (Apr. 1, 2010).

RATIONALE:

The provision of Group E boxes is fundamentally a form of delivery. As the Commission noted at page 96 of its *Report on Universal Postal Service and the Postal Monopoly*, the

Proposal One

Postal Service is obligated to deliver mail but “no legal obligation identifies a specific mode of delivery, so the Postal Service is free to determine the delivery mode as door delivery; curbside delivery; cluster box delivery; delivery to a roadside box; post office box delivery or general delivery.” The Commission has found that within each mode of delivery, certain costs, such as the costs of driving between route sections, are not volume variable, and the Commission therefore treats them as institutional. The costs of Group E boxes, as they do not vary with volume, but rather with the number of customers ineligible because of a Postal Service decision not to provide them carrier delivery, likewise fit into this category and should be treated as institutional. It is further worth noting that in its examination of the Intra-Alaska Nonpreferential Air costs, in Docket No. R97-1, the Commission found it inappropriate to recover the costs above the nationwide average cost of highway transportation from the products that are carried by intra-Alaska Air, and transferred such costs to the institutional cost pool. While not identical, the logic applied there is similar to that employed here: to the extent that there are institutional costs in an activity, such costs should not be funded solely by those customers who happen to utilize similar services; rather, they should be funded by all mailers.

IMPACT:

Had this proposal been in place in FY 2010, its impact would have been to transfer \$38.4 million from Post Office Box Service to institutional.

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.

Nabeel R. Cheema

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-7178, FAX: -5402
April 6, 2011