

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Analytical Principles in Periodic Reporting
(Proposal One)

Docket No. RM2011-9

PUBLIC REPRESENTATIVE'S COMMENTS
IN RESPONSE TO ORDER NO. 713

(May 9, 2011)

The Public Representative hereby provides comments pursuant to Commission Order No. 713.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service petition requesting that the Commission initiate an informal rulemaking to consider a proposal to change the attribution of costs for Group E post office boxes.² If approved by the Commission, the proposal (herein "Proposal One") would treat the attributable costs of Group E post office boxes as institutional costs of the Postal Service.

Group E is one of eight post office box "fee groups," and provides post office box service to customers at no charge who do not receive carrier delivery. The remaining fee groups, Groups 1 through 7, consist of post office boxes in facilities with similar market values.

¹ PRC Order No. 713, Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (herein "Order No. 713"), April 8, 2011.

The Postal Service states that the effect of this proposed change in analytical principles means that Group E attributable costs would be paid for by all mailers rather than through fees paid by other post office box holders, as currently. Petition, Proposal One at 1. Those attributable costs are primarily facility-related, including rent, depreciation, building maintenance, custodial service, utilities, *etc.* The Postal Service also states that the proposal would not alter the existing methodology used to calculate Group E attributable costs. *Id.* If Proposal One had been approved for FY 2010, total Group E attributable costs of \$38.4 million would have been treated as institutional. *Id.*, at 2.

Proposal One is a logical extension of the Postal Service's policy, endorsed by the Commission, of offering post office box service at no charge to customers whose physical address does not receive any form of carrier service.³ The costs of Group E post office box service are incurred by the Postal Service to meet its universal service obligation of providing delivery services to all postal customers. Those costs are now borne solely by post office box holders (other than Group E box holders). Proposal One

² Petition United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal One), (herein "Petition"), April 6, 2011.

³ Request of the United States Postal Service for a Recommended Decision on Special Service Changes, Docket No. MC96-3, June 7, 1996, at 1 ("[T]he post office box proposal includes elimination of the basic box fees in offices that do not provide carrier delivery. This proposal reflects the public service nature of these boxes."). However, the post office box proposal did not apply to customers subject to the "quarter-mile" rule, which precluded the extension of carrier delivery service to customers that resided within one-quarter mile of a non-city delivery post office. Initial Brief of United States Postal Service, Docket No. MC96-3, January 14, 1997, at 66 ("The Postal Service now projects that free box service will be extended to all customers ineligible for carrier delivery except those who are ineligible by reason of the quarter-mile rule."). The Commission urged the Postal Service to re-evaluate the quarter-mile rule, and recommended that one free post office box be provided to any customer ineligible for carrier delivery service. PRC Op. MC96-3, at 63 ("The Commission believes it is equitable to offer one post office box at no charge to any customer ineligible for carrier delivery."). The Postal Service subsequently extended Group E post office box service to customers subject to the quarter-mile rule. 63 Fed. Reg. 14820-21, March 27, 1998.

removes this inequity by recovering the costs of that universal service obligation from all mailers.

Moreover, Proposal One appears consistent with the Commission's findings in Docket No. R90-1 with respect to the treatment of the costs of intra-Alaska nonpreferential air transportation. In that proceeding, the Commission determined that the additional costs of intra-Alaska air transportation costs in excess of the nationwide average cost of highway transportation was caused by the Postal Service's universal service obligation rather than the nonpreferential mail volumes and therefore should be treated as institutional.⁴

For the reasons stated above, the Public Representative recommends Commission approval of Proposal One. The Public Representative respectfully submits the foregoing Comments for the Commission's consideration.

Respectfully submitted,

James F. Callow
Public Representative

901 New York Ave., NW Suite 200
Washington, D.C. 20268-0001
(202) 789-6839; Fax (202) 789-6861
e-mail: callowjf@prc.gov

⁴ PRC Op. R90-1, at III-195.