

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

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Periodic Reporting
(Proposals One through Five)

Docket No. RM2012-5

NOTICE OF PROPOSED RULEMAKING ON ANALYTICAL
PRINCIPLES USED IN PERIODIC REPORTING
(PROPOSALS ONE THROUGH FIVE)

(Issued June 29, 2012)

On June 26, 2012, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate an informal rulemaking proceeding to consider changes in the analytical methods approved for use in periodic reporting.¹

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposals One through Five), June 26, 2012 (Petition).

Proposal One. Elimination of Separate Delivery Costs for Carrier Route Letters, Flats, and Parcels

The Postal Service proposes to eliminate the separate, shape-based reporting of unit costs within Standard Mail Carrier Route. The Postal Service states that “Carrier Route flats represent over 99 percent of Carrier Route volume,” and that Carrier Route letter costs are unreliable. Petition at 2-3. The Commission discussed the reliability issue in the 2011 Annual Compliance Determination Report. FY2011 ACD at 120-121. In the ACD, the Commission recognized the possibility of merging unit cost data for Carrier Route letters and flats, but did not discuss unit costs of Carrier Route parcels. *Id.* at 121.

Proposal Two. Calculation of City Carrier Scanning Costs for All Non-Accountable Delivery Scans

Last year, the Postal Service introduced the USPS Tracking Barcode to better track parcels. However, the Postal Service states that the costs of USPS Tracking Barcode delivery scans performed by city carriers during street activities are not calculated. The Postal Service proposes to extend the established methodology for calculating the city carrier street scanning costs to all non-accountable delivery scans performed by city carriers during street activities (Cost Segment 7). The methodology would also apply to other non-accountable delivery scans that the Postal Service may introduce in the future. Petition at 4. According to the Postal Service, Proposal Two would increase the attributable costs of domestic market dominant parcels by between 1.7 and 3.2 percent, increase the attributable costs of domestic competitive products by 1.9 percent, reduce the attributable costs of domestic market dominant ancillary services by between 0.3 and 0.6 percent, and reduce the attributable costs of International Mail by 0.2 percent. *Id.* at 5-6.

Proposal Three. Changes in IOCS Encirclement Rules

Currently, all Registered mail, both domestic and International, is encircled in all operations.² According to the Postal Service, this is consistent with operations for domestic Registered and outbound International Registered, because such pieces receive hand-to-hand transfers. However, in 2009, the Postal Service says that it changed the operating procedures for inbound Registered mail such that those pieces now travel in the regular letters and flats mailstreams rather than in the Registered mailstream. The Postal Service proposes to update the encirclement rules for inbound Registered mail and for certain other Extra Services to reflect changes in operations and to correct inconsistencies. For the C.O.D., Certified, Insured, and Signature Confirmation Extra Services, encirclement would be added for certain mail processing and window operations. Petition at 7-8.

Proposal Three would affect attributable costs in Cost Segment 3. Inbound Registered mail attributable costs would decline by 38.3 percent. Attributable costs of competitive products would decline by 0.1 percent. Attributable costs of First-Class mail would decline by 0.7 percent. Attributable costs of Parcel Post would decline by 0.4 percent. Attributable costs of Inbound LC/AO would increase by between 6.5 and 13.8 percent. Attributable costs of certain Extra Services would increase by between 1.7 and 64.8 percent. *Id.* at 9.

Proposal Four. Changes in IOCS Reporting Codes

The Postal Service proposes to make changes to In-Office Cost System activity codes and operation codes. These changes are:

- (1) streamline activity codes by eliminating codes that are no longer used for costing;

² Encirclement is the process of allocating the cost of handling a mailpiece with an Extra Service to the Extra Service rather than to the host mailpiece. Encirclement is appropriate when an Extra Service is the main reason that an employee handles a mailpiece. *Id.* at 7.

- (2) combine the operation codes for Outgoing Primary Distribution and Outgoing Secondary Distribution into one code;
- (3) add a code for Managed Mail Distribution; and
- (4) add or change codes to account for the recent transfers of Parcel Select Lightweight and First-Class Package Service to the competitive product list.

Id. at 10-12. The Postal Service asserts that Proposal Four will have no impact on product costs. *Id.* at 13.

Proposal Five. Changes to Methodology of Distributing Costs Incurred by Vehicle Service Drivers

The Postal Service proposes a new distribution key for allocating the attributable costs of Vehicle Service Drivers (Cost Segment 8). The new distribution key is derived from a new subsystem of the Transportation Cost System (TRACS) called TRACS-VSD. The current distribution key relies on the costs of intra-sectional center facility purchased highway transportation in Cost Segment 14. The Postal Service believes that it has developed a sampling frame that enables the development of a statistical system similar to the four TRACS subsystems representing purchased highway transportation. *Id.* at 14-15.

For most classes of mail, the Postal Service shows a change in unit attributable cost in mills (tenths of a cent). However, the unit attributable cost of Media and Library Mail declines by 4.5 cents and the unit attributable cost of International Mail rises by 1.7 cents. *Id.* at 16.

The Petition, and an accompanying Appendix, are available for review on the Commission's website, <http://www.prc.gov>.

Pursuant to 39 U.S.C. § 505, James Callow is designated as Public Representative to represent the interests of the general public in this proceeding. Comments are due no later than July 31, 2012.

It is ordered:

1. The Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposals One through Five), filed June 26, 2012, is granted.
2. The Commission establishes Docket No. RM2012-5 to consider the matters raised by the Postal Service's Petition.
3. Interested persons may submit comments on Proposals One through Five no later than July 31, 2012. Reply comments are due no later than August 10, 2012.
4. James Callow is appointed to serve as the Public Representative to represent the interests of the general public in this proceeding.
5. The Secretary shall arrange for publication of this Notice in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary