

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

PERIODIC REPORTING
(ALTERNATIVE FORMAT CRA REPORT)

Docket No. RM2014-2

PETITION OF THE UNITED STATES POSTAL SERVICE FOR
THE INITIATION OF A PROCEEDING TO ELIMINATE THE
REQUIREMENT FOR AN ALTERNATIVE FORMAT CRA REPORT
(November 15, 2013)

The Postal Service requests that the Commission initiate a rulemaking proceeding to eliminate the requirement for the production and submission, as part of the Annual Compliance Report process, of the “Alternate CRA (Cost and Revenue Analysis Report)” required by Commission Rule 3050.14. The Postal Service proposes to remove the requirement to prepare the Alternate CRA by striking the second sentence of Commission Rule 3050.14. Additionally, if the Commission anticipates that it might not be able to complete such a rulemaking prior to the time at which preparation of this year’s ACR must be finalized, the Postal Service contingently requests that the requirement be waived for Fiscal Year 2013.

Commission Rule 3050.14 establishes the format for the Cost and Revenue Analysis Report (CRA) which is to report costs, revenues, volumes, contribution and other information “reflecting the classification structure in the Mail Classification Schedule”. The same rule also calls for “an alternative, more disaggregated format capable of reflecting the classification structure in effect prior to the adoption of the Postal Accountability and Enhancement Act.” The Appendix to the Order adopting Rule

3050.14 (Order No. 203, April 16, 2009) provided an illustration of the type of alternative format contemplated by the rule.

Initially, the Postal Service was able to file both public and nonpublic versions of the Alternate CRA. These folders presented the best approximation that the Postal Service could provide of the costs, revenues, volumes and contributions for the pre-PAEA classifications. In recent years, however, as more products – or, more precisely and importantly, as more parts of products – have been shifted to Competitive, it became necessary to provide only a nonpublic version of the Alternate CRA. This is because the transfer of multiple partial products to the Competitive product list made it possible to use the Alternate CRA materials to derive information about Competitive products by comparing the Market Dominant information in the Alternate CRA materials to the Market Dominant information in the CRA. For example, it would be relatively straightforward to discern the revenue, costs, and volume for First-Class Package Service and Lightweight Parcel Select when these data were returned to and combined with existing data for First-Class Mail and Standard Mail, respectively, and filed with the Market Dominant Alternate CRA. The Alternate CRA also has separate lines for the data for mail sent under Negotiated Service Agreements (NSAs). This would isolate the data for the NSA for First-Class Package Service in the Market Dominant Alternate CRA. The resulting nonpublic folder presented the alternative format materials for Market Dominant and Competitive mail while attempting to revert back to their pre-PAEA mail categories the revenues, volumes, costs and weights of mail, including those that had subsequently been moved to Competitive.

Postal data systems only have the ability to collect data for existing classifications, because mailers only send mail under the existing classifications. Thus, if classifications have been combined in the post-PAEA era, the data systems have no ability to gather data, particularly cost data, specifically for many of the categories in the Rule 3050.14 Alternate CRA listing (for example, the Inter-BMC and Intra-BMC distinctions no longer exist in Parcel Post or Parcel Select, neither does the Postal Service have the ability to separate out the information for First-Class Parcels into their pre-PAEA categories). Because the data systems cannot always track the information by the pre-PAEA categories, other methods of estimating the data required for the Alternate CRA had to be developed, with the result that the methodologies used to attempt to populate this chart vary. For example, in order to reassemble the First-Class Mail categories into their pre-PAEA forms, given that current ACR methodology does not allow for the separation of the cost for First-Class Package Service into Single-Piece and Presort, RPW volume is used to make this separation. This methodology necessarily assumes that the unit costs for Single-Piece and Presort parcels are the same, a conclusion that is neither intuitive nor supported by any actual data.

The necessity of employing creative approaches to the disaggregation of existing mail categories and classifications in order to reassemble the pre-PAEA classifications has meant that the estimation approaches vary, depending on the available information. Often, the splits of the categories are simply tied to the pre-PAEA shares which are unlikely to have been preserved throughout the intervening seven years. Thus, the aggregation of cost data from underlying categories of mail from one report or estimation methodology may not always match those developed via a different

estimation technique, and data for some categories may not exist at all. Ultimately, the costs, volumes and revenues available at the product level in the CRA are used as the defaults in the Alternate CRA. The data at the more disaggregated levels, to the extent that they exist, may not sum to the CRA aggregate information at the product level.

The simple fact is that the Alternate CRA provided a bridge from the pre-PAEA era to the post-PAEA era. The Alternate CRA was a way of maintaining trend data based on the pre-PAEA categories and ensuring that, through the transition to post-PAEA regulatory reporting, no categories of postal products were inadvertently omitted, and to ensure that the Postal Service maintained the integrity of the data reporting. However, we are now seven years past PAEA. Mail classifications, blessed by the Postal Regulatory Commission, have changed. Products, and parts of products, have shifted from Market Dominant to Competitive. The fluidity of the mail classification system negates a report that purports to maintain data for nonexistent classifications. These cumulative developments call into question the usefulness of maintaining the report, in a necessarily nonpublic format, when the information reported is increasingly the result of ratio analyses, guesstimates and splits tied to shares from seven years ago. The Postal Service believes that any possible use of the report is now overshadowed by the weakness of the information contained therein, and that it is no longer relevant.

Moreover, the burden imposed by the requirement to produce this alternative format report is substantial, and falls on the Postal Service at the exact time its resources are already most fully taxed by preparation of the other components of the ACR. By necessity, the Alternate CRA cannot be produced until all other ACR work has

been completed, as it requires inputs from the CRA itself, the cost avoidance studies, and other analyses, which means that the Alternate CRA is the last part of the ACR production process and requires last minute attention. Any upstream delays in ACR production must be compensated for in the production of the Alternate CRA in order to meet the ACR filing date. As events unfold, make-shift “fixes” which worked in a previous year to plug a gap in the Alternate CRA are suddenly and disturbingly found to no longer be possible to implement. The result requires the disproportionate *ad hoc* expenditure of time and effort to address each such “crisis,” interfering substantially with the carefully established ACR production schedule. Given the diligent adherence to Commission methodology and the effort required to maintain the high quality of the data provided in the ACR, the Postal Service is uncomfortable with the relatively weak Alternate CRA material and believes that the low quality of the Alternate CRA casts a shadow on the quality of the other ACR material. Eliminating the requirement and allowing the Postal Service instead to divert the resources that in past years it has been necessary to invest in preparation of the Alternate CRA back to other uses during this short but critical time period will hopefully maintain the higher quality level for the remaining aspects of the filing. Therefore, all participants in the ratemaking process stand to benefit from the elimination of this essentially counter-productive requirement.

The Postal Service appreciates, however, that with the many other pressing obligations currently facing the Commission, it may not be possible to accomplish a permanent change in its rules in the next month. If that turns out to be the case, the Postal Service additionally requests that the Commission waive application of the alternative format CRA portion of Rule 3050.14 for this fiscal year, while considering the

request for a permanent change in the rule. Thus, for example, if the Commission grants a waiver and finds that the absence of the Alternate Format CRA presents no impediment to fulfillment of its FY2013 ACD obligations, such experience would strongly favor elimination of the requirement on a permanent basis. Of course, if the Commission were unexpectedly to discover a need for some part of the Alternate Format presentation while evaluating the ACR, the Postal Service would respond to any Information Request addressing such a need.

Consequently, the Postal Service respectfully requests that the second sentence of Commission Rule 3050.14, establishing the requirement for production and submission of the alternative format CRA with the Annual Compliance Report, be deleted. The requirement has served its original purpose, but outlived any further utility. If the Commission is unable to act upon this request for a permanent rule change prior to mid-December, the Postal Service requests, on a contingent basis, that application of that portion of Rule 3050.14 be waived with respect to the FY2013 ACR.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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

Eric P. Koetting

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
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