

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

PERIODIC REPORTING  
(PROPOSAL TEN)

Docket No. RM2015-3

**REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE**  
(December 2, 2014)

On November 3, 2014, the Postal Service filed a petition requesting that the Postal Regulatory Commission initiate a rulemaking proceeding to consider changes to analytical principles (Proposal Ten) for use in Periodic Reporting. The Commission subsequently established Docket No. RM2015-3 in Order No. 2240 (November 5, 2014). Order No. 2240 set November 26 as the deadline for comments, and December 12 as the deadline for reply comments. The Public Representative filed the only set of comments on November 26. Rather than wait until December 12, the Postal Service hereby replies to those comments now in order to expedite the earliest possible resolution of Proposal Ten.

Proposal Ten presented the results from a recent field study (referred to as the 2014 field study), which included productivity estimates for tasks performed at network distribution centers (NDC), processing and distribution centers and facilities (P&DC/F), auxiliary service facilities (ASF), and delivery units (DU).

Proposal Ten was largely developed in response to past concerns expressed by both the Commission and previous Public Representatives concerning the quality of productivity estimates that were collected as part of a 2009 field study. The productivity estimates from that field study were originally used to develop a Standard Mail parcel

mail processing cost model in Docket No. RM2010-12, Proposal Seven. In that docket, the Public Representative expressed concern about the relatively small sample sizes and high standard deviation values associated with some of the productivity estimates. Despite the Public Representative's concerns, the Commission approved the proposal in Order No. 658 (January 28, 2011).

In Docket No. RM2011-6, Proposal Thirteen, the Postal Service presented a new Parcel Select / Parcel Return Service mail processing cost model that relied on the Proposal Seven productivity estimates. In his comments, the Public Representative pointed out the relatively small sample sizes and high standard deviation values exhibited by some of the Proposal Seven productivity estimates, but added that those issues should not preclude the Commission's approval of the model. In addition, the Public Representative suggested that the Commission "encourage the Postal Service to perform more rigorous studies of productivity data." The Commission approved the new proposal in Order No. 719 (April 28, 2011).

In Docket No. RM2012-1, Proposal Thirteen, the Postal Service presented a new Media Mail – Library Mail mail processing cost model that relied on the Proposal Seven productivity estimates. In his comments, the Public Representative expressed support for Proposal Thirteen. No mention was made of the relatively small sample sizes and large standard deviation values exhibited by some of the Proposal Seven productivity estimates. The Commission subsequently approved the proposal in Order No. 1153 (January 20, 2012).

In Docket No. RM2014-6, the Postal Service presented a revised Standard Mail destination entry cost model that relied upon the same 2009 productivity estimates as

the three mail processing cost models described above. In her comments, the Public Representative again highlighted the concerns originally expressed by the Public Representative in Docket No. RM2010-12 and indicated that the productivity estimates may no longer be valid due to operational changes that have taken place during the past five years. The Public Representative therefore advised the Commission to request additional data from the Postal Service before implementing the proposal. The Commission subsequently approved the proposal in Order No. 2180 (September 10, 2014) and directed the Postal Service to “investigate ways to update its productivity values to ensure that the values best represent its mail processing operations.”

To summarize, the Public Representative presented substantive comments in each of the four dockets described above. In three dockets, the Public Representatives expressed concern about the relatively small sample sizes and standard deviation values exhibited by some of the productivity estimates developed from the data collected during the 2009 field study. One Public Representative suggested that the Commission encourage the Postal Service to perform more rigorous productivity field studies. The Public Representative from the most recent docket expressed concern that the productivity estimates may no longer be valid due to operational changes that occurred during the past five years. In addition, the Commission asked the Postal Service to investigate ways to update the productivity estimates to reflect current operations.

In the instant proceeding, the Postal Service presented productivity estimates from a 2014 study that was largely conducted to address these concerns. The number of facilities included in the study was much larger when compared to the 2009 field

study, as were the number of productivity readings recorded for the specific tasks. In order to address concerns regarding the variation exhibited by the new productivity estimates, the Postal Service performed a statistical evaluation of the results using a methodology that was first relied upon in Docket No. RM2012-2, Proposal Twenty, and which the Commission subsequently approved in Order No. 1383 (June 26, 2012). In all cases, the actual sample size exceeded the sample size required to achieve a target level of significance. The study was also conducted during a time period well after the NDC activation process had been completed, so that the productivity estimates would reflect current operations.

In the instant proceeding, the Public Representative states that the productivity estimates represent an “improvement” and that the data are now “statistically sound,” but then surprisingly concludes that use of the new data cannot be recommended for two reasons: (1) the Postal Service has not explained why the 2014 results are higher than the 2009 results, and (2) the Postal Service does not provide evidence that the significantly higher values will continue to be realized. While the Postal Service appreciates the need for the Public Representative to scrutinize new proposals carefully, the concerns advanced by the Public Representative in this instance are misplaced.

The Public Representative focuses on the loading and unloading tasks, which represent 18 of the 26 productivity estimates. In addition, the Public Representative appears to focus on anecdotal comments that were made in the petition which indicated that truck drivers were observed assisting mail handlers with the loading and unloading of trucks during the 2014 field study, but were not observed doing so during the 2009

field study. As the Postal Service indicated in its response to Chairman's Information Request (ChIR) No. 1, question 1(a), truck drivers were only observed assisting mail handlers with the loading and unloading of rolling stock at P&DC/Fs, ASFs, and DUs. In reality, therefore, the Public Representative's comments only apply to at most the six productivity estimates that represent the loading and unloading of rolling stock at P&DC/Fs, ASFs, and DUs.

As stated above, the Public Representatives in three prior rulemaking dockets expressed concern with the 2009 productivity estimates. They appeared to believe the estimates might not have been accurate due to the small sample sizes and the variation exhibited by some of the 2009 data. In the instant proceeding, the Public Representative's suggestion that the Postal Service thoroughly explain why the 2009 and 2014 values differ is therefore puzzling. It is unclear what further comparison can be done of 2009 estimates that might have been inaccurate to 2014 estimates that represent an "improvement" and which are "statistically sound."

An alleged need for further comparison of the 2014 and 2009 results also makes little sense when one considers that a major operational event occurred after the first study was completed and before the second study was initiated. This operational event was the activation of the NDCs. The Postal Service pointed out in its petition that the timely loading and unloading of trucks was a major focus during the NDC activation process. In Docket No. RM2014-6, the Public Representative suggested that the 2009 productivity figures might be outdated due to operation changes alone. Consequently, differences in results of analysis of the 2009 and 2014 data are hardly unexpected, even if the 2009 estimates were accurate at that time.

In the instant proceeding, the Public Representative's focus on anecdotal comments about truck drivers, made in describing the Proposal, is also misplaced. Given the relatively small number of facilities that were included in the 2009 field study, it is likely that truck drivers at P&DCs and DUs around the country were assisting mail handlers with the loading and unloading of rolling stock during the 2009 timeframe, but the Postal Service just happened to visit facilities where these activities were not being performed during the time the loading and unloading operations were observed. There is no known plan that was implemented between 2009 and 2012 (the timeframe in which the new productivity data were first collected) that instructed drivers to begin assisting mail handlers. There is also no known future plan that might affect the interaction between truck drivers and mail handlers. Furthermore, the tasks performed by truck drivers are irrelevant to this analysis because the productivity estimates in question only represent mail processing tasks that were performed during the data collection period.

It is not possible to forecast how long these productivity estimates will be representative, as the Public Representative appears to suggest would be beneficial. To the extent that future systemic changes occur which would affect the productivity estimates presented in Proposal Ten, the Postal Service would modify the productivity estimates accordingly, subject to time and budget constraints. This is the same practice the Postal Service has used in the past to address equipment, operations, and price structure changes.

Moving forward, the only thing the Postal Service can realistically do when it comes to field studies like that presented in Proposal Ten is to attempt to collect data

from a representative sample of facilities at a given point in time and to evaluate the statistical significance of the results. The Postal Service has accomplished that task in the instant proceeding. The issues raised by the Public Representative provide no valid basis to question its results, and the Commission should therefore approve Proposal Ten.

Respectfully submitted,

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