

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

Before Commissioners:

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

Periodic Reporting
(Proposal Five)

Docket No. RM2015-13

NOTICE OF PROPOSED RULEMAKING ON
ANALYTICAL PRINCIPLES USED IN PERIODIC REPORTING
(PROPOSAL FIVE)

(Issued July 20, 2015)

I. INTRODUCTION

In the Fiscal Year 2014 Annual Compliance Determination (FY 2014 ACD), the Commission directed the Postal Service to report within 90 days on the feasibility of developing attributable costs for the International Money Transfer Service (IMTS)—Outbound and Inbound products based upon alternatives to the In-Office Cost System (IOCS).¹ Cost data for the IMTS—Outbound and Inbound products are reported in the International Cost and Revenue Analysis (ICRA) report.

¹ Docket No. ACR2014, Fiscal Year 2014 Annual Compliance Determination Report, March 27, 2015, at 76 (FY 2014 ACD). The IOCS is one of several Postal Service statistical sampling systems used to develop product costs.

On June 30, 2015, the Postal Service filed its response to this directive.² In Item No. 4 of the Response, the Postal Service proposes to use data reported by the Federal Reserve Bank to estimate the transaction volume for the IMTS—Inbound product. *Id.* at 3. The Postal Service also proposes to use the inbound transaction volume in a new methodology to develop attributable costs for the IMTS—Outbound and Inbound products as an alternative to using IOCS statistical data. *Id.* at 5.

Pursuant to 39 CFR 3050.11 *et. seq.*, the Commission establishes the instant docket to initiate an informal rulemaking proceeding to consider the changes proposed in Item No. 4 of the Response to the Commission’s directive in the FY 2014 ACD. The proposed changes to the IMTS—Outbound and Inbound products are labeled as Proposal Five and will be considered in this docket.

II. PROPOSAL FIVE: A NEW METHODOLOGY TO DEVELOP IMTS—OUTBOUND AND INBOUND PRODUCT COSTS

The Postal Service proposes to estimate the transaction volume for the IMTS—Inbound product for the first time on an annual basis using data available from the Federal Reserve Bank on the number of foreign-origin money orders cashed by the Postal Service. *Id.* at 3. Using this new inbound transaction volume, the Postal Service proposes a new methodology to develop the attributable costs of the IMTS—Outbound and Inbound products. *Id.* at 5.

Currently, total attributable costs for the combined IMTS—Outbound and Inbound products are distributed between the products using IOCS tallies.³ The Postal Service states that both the IMTS—Outbound and Inbound products are small products with

² Docket No. ACR2014, Responses of the United States Postal Service to Commission Requests for Additional Information Regarding IMTS and EPG in the FY 2014 Annual Compliance Determination, June 30, 2015 (Response).

³ See Docket No. RM2011-5, Order No. 724, Order Concerning Analytical Principles for Periodic Reporting (Proposals Ten through Twelve, May 4, 2011, at 6-8. The IOCS collects data on the proportion of time spent by an employee performing various functions on different mail products or services. These proportions of time are used to estimate the costs of such products or services. An example might be the time spent by city carriers in a delivery post office casing (i.e., sorting) mail. Individuals referred to as “tally takers” sample the time data; hence, the term tally is used to identify the source of the data.

relatively few transactions. Response at 4. As a result, it is difficult to obtain a sufficient number of IOCS tallies to reliably estimate attributable costs for the IMTS—Outbound product, which causes relatively volatile unit costs year-to-year. *Id.* Moreover, in most fiscal years, the Postal Service has been unable to develop attributable costs for the IMTS—Inbound product because of an absence of IOCS tallies. In addition, the ICRA report does not present transaction volume for the IMTS—Inbound product because the Postal Service has been unable to estimate such transaction volume through special studies or the use of data from postal retail systems. *Id.* at 2-3.

To develop attributable costs for the IMTS—Outbound and Inbound products, the Postal Service proposes to use an estimate of retail window service time for electronic wire transfer transactions to develop an electronic window service cost per transaction. *Id.* at 5. When multiplied by the number of electronic transfer transactions, the resulting total electronic window service costs is then subtracted from the total attributable costs for the combined IMTS products, with the remainder apportioned between transactions for outbound paper money orders and foreign-origin money orders cashed by the Postal Service based on transaction volume. *Id.*

III. INITIAL COMMISSION ACTION

The Commission establishes Docket No. RM2015-13 for consideration of matters raised by Item No. 4 of the Response, now identified as Proposal Five. More information on Proposal Five may be accessed via the Commission's website at <http://www.prc.gov>. The Postal Service filed portions of its supporting documentation under seal as part of a non-public annex. Information concerning access to non-public materials is located in 39 CFR part 3007.

Interested persons may submit comments on Proposal Five no later than August 31, 2015. Reply comments are due no later than September 15, 2015. Pursuant to 39 U.S.C. 505, Nina Yeh is designated as officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. RM2015-13 for consideration of the matters raised by the United States Postal Service in its Docket No. ACR2014, Responses of the United States Postal Service to Commission Requests for Additional Information Regarding IMTS and EPG in the FY 2014 Annual Compliance Determination, Item No. 4, filed June 30, 2015, identified herein as Proposal Five.
2. Comments by interested persons in this proceeding are due no later than August 31, 2015. Reply comments are due no later than September 15, 2015.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Nina Yeh to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Ruth Ann Abrams
Acting Secretary