

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

PERIODIC REPORTING
(PROPOSAL SIX)

Docket No. RM2015-15

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING
INITIATION OF A PROCEEDING TO CONSIDER A PROPOSED CHANGE
IN ANALYTICAL PRINCIPLES (PROPOSAL SIX)
(July 27, 2015)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, labeled Proposal Six, is discussed below, and in greater detail in the attached text and spreadsheets.

Proposal Six seeks authorization to change the methodology used for measuring the national totals of revenue, pieces, and weight in the RPW Report for Click-N-Ship (CNS) Priority Mail. RPW currently uses CNS system data for Priority Mail insured transactions. In this proposal we are seeking approval to use the remaining CNS system data for Priority Mail products and extra services associated with non-insured CNS transactions to replace corresponding ODIS-RPW statistical sampling estimates. In addition, since weight is not available in CNS for flat-rate products, we propose to use

ODIS-RPW estimated average weight per piece.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Proposal Six

PROPOSED CHANGE IN RPW METHODOLOGY USING CLICK-N-SHIP DATA TO REPLACE ODIS-RPW STATISTICAL SAMPLING ESTIMATES

OBJECTIVE:

This request asks for a change in the methodology used in preparing the RPW Report for measuring the national totals of Click-N-Ship (CNS) Priority Mail revenue, pieces, and weight. The current RPW methodology relies on two sources for CNS. CNS system census data regarding transactions involving insured extra services are combined with statistical estimates from the ODIS-RPW probability sampling system for CNS Priority Mail that are not associated with insured transactions (including Priority Mail transactions with insurance included at no extra charge).¹ The proposed methodology would replace ODIS-RPW statistical sampling estimates with the remaining CNS system census transactional data. Since weight is not required for flat-rate products within the CNS system, ODIS-RPW estimated weight per piece is proposed to be used to estimate weight. If this proposal is approved, all data for CNS will be census derived from CNS system generated transactions, with the exception of weight for flat-rate products that will be estimated by ODIS-RPW.

¹ The historical reason for this dichotomy is the following. When an ODIS-RPW data collector observes a Priority Mail insured mail piece, the mail piece revenue shown is the total revenue (i.e., the sum of the product and extra services revenue). The markings on the mail piece display "Insured," but do not display the insurance value (\$0 to \$50, \$50.01 to \$100, etc.). There is no sure way to separate mail piece revenue from insurance revenue for pieces observed in destinating ODIS-RPW tests. Historically, the only source for insured transaction RPW parent and extra service revenue has been source system data.

BACKGROUND:

CNS and RPW Reporting

Click-N-Ship is an easy way to send mail right from home. Customers register at USPS.com to take advantage of such features as creating labels with postage, paying postage by credit card, purchasing insurance online, saving to their address book, and viewing shipping history. In addition, customers receive domestic commercial base pricing and can order free supplies and schedule a free pickup. Domestic shipping destinations include the 50 states, the US Virgin Islands, Puerto Rico, American Samoa, Guam, Rota Island, Saipan Island, Wake Atoll and APO/FPO addresses (current restrictions and customs forms requirements apply).

Current RPW Reporting Using ODIS-RPW

The Origin-Destination Information System - Revenue, Pieces and Weight (ODIS-RPW) is a probability-based destinating mail sampling system used to support the Postal Service's many and varied business needs for mail revenue and volume. ODIS-RPW primarily supplies official RPW estimates of revenue, volume and weight for single-piece stamped and metered indicia mail.

One of the ODIS-RPW mail characteristics recorded by Statistical Programs data collectors is the indicia, or source payment. Indicia types include, but are not limited to, stamps, meter, permit imprint, and Information Based Indicia (IBI). CNS is a type of IBI indicia; with a 2-D barcode that PC Postage providers put on their mail pieces. ODIS-RPW data collectors record a CNS mail piece as IBI indicia and then indicate that the meter/IBI provider is 'Click-N-Ship.' Other mail characteristics recorded by Statistical

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Programs data collectors include but are not limited to revenue, mail class, product, mail markings, and extra services.

Limitations with the Current Methodology

When an ODIS-RPW data collector encounters a sample mail piece, they must search for Click-N-Ship markings in the indicia area. In the fast moving time frame around mail arrival at the post office, distribution to the carriers and carrier pull-down for street delivery, data collection is always challenging. Unintended errors could occur in the sampling of mail and recording.

In addition, ODIS-RPW is a statistical sampling system that produces point estimates with sampling error. Census information does not have sampling error. Using census transactional data reduces sampling error, and one would expect to have equal or improved data quality.

PROPOSAL:

The proposed RPW methodology would switch from sample data provided by the ODIS-RPW sampling system for non-insured CNS mail to corresponding census data provided by reports from the Retail Data Mart (RDM). Estimated ODIS-RPW average weight per piece for Priority Mail flat-rate products would be applied to CNS volumes to estimate weight. In addition, CNS census activity would be adjusted to reflect refunds from the corresponding time period.

Retail Data Mart (RDM) for CNS Transactions and National Meter Account Tracking System (NMATS) for CNS Refunds

The Retail Data Mart (RDM) is the current reporting system for Point of Sale (POS) and Self Service Kiosk (SSK) data used in RPW (Docket No. RM2009-10 and RM2014-4). As such, the RDM reporting system has a proven track record of providing

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accurate measurements to RPW. This system also provides CNS revenue, pieces and weight data that would be used for RPW reporting.

Adjustment for CNS Flat-Rate Product Weight

Since CNS does not require that weight be accurately reported in its system, weight must be estimated. The proposed methodology is to calculate average weight per piece from ODIS-RPW by flat rate product, and apply this to the CNS volume counts. In this way, weight would be estimated for Priority Mail flat-rate products in lieu of using RDM reported weight.

Adjustment for CNS Refunds

CNS customers who create a label through the USPS.com application can seek a refund for a label created but not used. Priority Mail refunds created within the CNS application are reported in General Ledger (GL) account 41436.000. A report will be gathered for all refund amounts sent to the GL. This information is housed in the National Meter Account Tracking System or NMATS. A report will be generated that includes the refund amount and number of refund transactions by product (e.g., small flat rate box, variable rate). However, it does not separate out extra service related refund amounts. The report also does not provide the weight associated with refund transactions. Refund weight must be imputed based on weight per piece by parent product as reported by RDM. Priority Mail refund revenue represents a small percentage of total Priority Mail CNS revenue; approximately two percent in this analysis.

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The process for spreading refunds to the parent products and extra services will be accomplished in the following order:

1. Estimate weight for each parent product by applying the ODIS-RPW estimated average weight per piece to the RDM reported volume.
2. Calculate the proportions of parent and extra service revenue, pieces, and weight as reported by RDM in that time period.
3. Apply the proportions calculated in 1) to the GL refund data to derive parent and extra service refund revenue, pieces, and weight.
4. Adjust the refund revenue, pieces, and weight by parent product by the proportion calculated in 2) for the parent refund amounts.
5. Create a distribution key of extra services from the RDM report.
6. Apply the distribution created in 5) to the extra service refund revenue and pieces calculated in 2) to create refund revenue and pieces by extra service.

RATIONALE:

The proposed change in methodology provides a complete source of transactional-level data for the mail piece revenue and volume characteristics, and their associated extra services needed for RPW reporting. It also provides a process more accurately reporting weight for flat rate products, and for adjusting for revenue and transactions to align with the Accounting treatment of refund revenue.

IMPACT:

As a measure of the impact of switching from ODIS-RPW statistical sampling estimates to census data, a comparison was made for the Q1 FY2015 time period. The attached EXCEL file title 'Prop.6.CNS.Public.Tables.xls' contains three tables used to

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construct this analysis. Table A shows the Q1 FY2015 changes at the RPW report level by mail class and total extra services after adjusting for refunds. Shown are revenue, pieces and weight incorporating the new census sources ('proposed'), the ODIS-RPW or 'current' report totals, the differences, and the differences expressed as a percent change. Tables B and C support Table A and construct refund revenue, pieces, and weight adjustments for use in that Table.² Also provided under seal as part of USPS-RM2015-15/NP1 are additional tabs that provide more detail on the basic data used in the Tables A through C analyses.

The results in Table A show that the CNS portion of Priority Mail revenue would have decreased 13.7 percent, volume would have decreased 14.3 percent, and weight decreased by 4.4 percent. Extra service revenue associated with the mail products affected in this proposal would have increased \$144,000 for Q1 FY2015. Overall, however, because total revenue must equal book revenue, any change in these specific estimates would ultimately be offset by minor changes in the revenue estimates for many other categories through the mechanism of the BRAF process. The BRAF process was last fully documented in Library Reference USPS-LR-L-18, Section 2, in Docket No. R2006-1, and most recently discussed in currently pending Docket No. RM2015-9.

² Note that this filing shows the impact on non-insured or included insurance transactions only, since there will be no change in the census data for insured transactions that are currently used in RPW. Therefore, an additional step was introduced to spread refunds between insured and non-insured transactions.