

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Periodic Reporting  
(Proposal Six)

Docket No. RM2015-15

PUBLIC REPRESENTATIVE COMMENTS ON A PROPOSED CHANGE IN  
ANALYTICAL PRINCIPLES USED IN PERIODIC REPORTING (PROPOSAL SIX)

September 2, 2015

I. INTRODUCTION

The Public Representative hereby provides comments in response to Commission Order No. 2624.<sup>1</sup> In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, addressing the Postal Service's petition to change analytical principles related to periodic reporting.<sup>2</sup> The Postal Service filed the Petition pursuant to 39 C.F.R. § 3050.11. Petition at 1.

On August 10, in the Response to Motion,<sup>3</sup> the Postal Service provided some additional information in support of Proposal Six. On August 11, 2015, the Chairman's Information Request (CHIR) No. 1 was issued. On August 21, 2015, the Postal Service provided its Responses to CHIR No. 1.<sup>4</sup>

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<sup>1</sup> Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Six), July 29, 2015 (Order No. 2624).

<sup>2</sup> 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 (Petition). The Petition was accompanied by file "Prop 6.CNS.Public.Tables" (Public Worksheet). In support of Proposal Six, the Postal Service concurrently filed non-public documentation in a library reference USPS-RM2015 -15/NP1 (Nonpublic Worksheet).

<sup>3</sup> Response of the United States Postal Service to Motion of the Public Representative Seeking Issuance of an Information Request, August 10, 2015 (Response to Motion).

<sup>4</sup> Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 1, August 21, 2015 (Responses to CHIR No. 1).

## II. SUMMARY OF PROPOSAL SIX

In Proposal Six, the Postal Service seeks authorization to change the methodology used for measuring the national totals of revenue, pieces, and weight in the Revenue, Pieces, and Weight (RPW) Report for Click-N-Ship (CNS) Priority Mail. Petition at 1.

Click-N-Ship is a USPS shipping tool that allows customers that register their account (at no charge) with the Postal Service to pay for postage and print shipping labels online.<sup>5</sup> CNS customers are given an opportunity to use discounted Commercial Base pricing, schedule a free pick up and order free supplies. *Id.* at 4.

Currently, the Postal Service uses CNS system data for CNS Priority Mail insured transactions involving insured extra services, and uses ODIS-RPW statistical sampling estimates for CNS Priority Mail transactions that are not associated with insured transactions.<sup>6</sup> *Id.* at 1-3. Proposal Six seeks to replace ODIS-RPW estimates with the CNS census data for measuring revenue, weight and volume for all non-insured CNS transactions (with the exception of measuring weight for flat-rate products).<sup>7</sup> *Id.* Reports from the Retail Data Mart (RDM) will provide the source for non-insured CNS mail data. In order to reflect refunds for the corresponding time period, the CNS activity will be adjusted. *Id.* at 5.

In the Public Worksheet attached to the Petition, the Postal Service presents the impact of Proposal Six on revenue, volume and weight of the CNS portion of Priority Mail.<sup>8</sup> In the spreadsheet filed in the Response to Motion, the Postal Service also illustrates the impact of Proposal Six on the overall Priority Mail revenue and volume.<sup>9</sup>

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<sup>5</sup> See <https://www.usps.com/business/business-shipping.htm>

<sup>6</sup> Also applies to CNS Priority Mail transactions if insurance included at no charge. Petition at 3.

<sup>7</sup> For flat-rate products, since weight is not available in CNS, Proposal Six suggests using ODIS-RPW estimated average weight per piece. *Id.* at 1-2 and 6.

<sup>8</sup> See Public Worksheet, Sheet “Table A”.

<sup>9</sup> See Response to Motion, file “PR.Mot.Resp.Attach” (Attachment to Response).

### III. COMMENTS

The RPW is the main source of input for Billing Determinants that are used by the Commission to determine compliance with 39 U.S.C. 3622 and 3633. Proposal Six includes a few modifications to the current RPW methodology related to measuring the national totals of CNS Priority Mail revenue, pieces and weight. First, for CNS non-insured *weight rated* mail products, the Postal Service proposes to replace the currently used ODIS-RPW sampling data with the RDM census data. Second, for CNS non-insured *flat-rate* mail products, the Postal Service proposes to apply RDM census data in estimating revenue and volume, but to use both RDM (census) and ODIS-RPW (sampling) data in estimating weight. Third, to separate CNS Priority Mail refund revenue between parent products and extra services, the Postal Service proposes a special adjustment.

Origin-Destination Information System – Revenue, Pieces and Weight (ODIS-RPW) is the primary probability sampling system. ODIS-RPW has been traditionally used to assist the Postal Service in estimating revenue, pieces and weight for certain mail categories where the data is not available from the Postal Service's revenue accounting system or postage statements.<sup>10</sup> However, as a statistical sampling system, ODIS-RPW produces RPW estimates that are subject to the sampling error. The Postal Service maintains that switching to the census data provided in reports from the Retail Data Mart (RDM) would result in equal or improved data quality. *Id.* at 5.

RDM includes data and reports used for operational planning, sales, and marketing analysis for managers at multiple levels.<sup>11</sup> The Postal Service already relies on RDM in the current RPW reporting for Point of Sale (POS) and Self Service Kiosk

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<sup>10</sup> Docket No. R2006, USPS-T-3, Direct Testimony of Bradley V. Pafford of Behalf of the United States Postal Service, May 3, 2006 at 3-6. See also Handbook F-75, Data Collection User's Guide for Revenue, Volume, and Performance Measurement System, October 2003, <http://www.apwu.org/ir-usps-handbooks-manuals#F-Series>

<sup>11</sup> 2004 Comprehensive Statement on Postal Operations, at 49, <https://about.usps.com/strategic-planning/cs04/cs2004.pdf>

(SSK) data.<sup>12</sup> *Id.* The Commission has encouraged the Postal Service to expand the use of census data for RPW reporting.<sup>13</sup>

As the Postal Service indicates in Proposal Six, the proposed replacement of ODIS-RPW sampling data by RDM census data requires certain adjustments. *Id.* at 6-7.

First, the RDM census system does not include weight data for Priority Mail CNS flat-rate products.<sup>14</sup> In other words, there is no census weight measurement data available for CNS flat-rate products that could substitute the corresponding ODIS-RPW sampling data. That is why, to calculate weight for each flat rate mail category, the Postal Service proposes to take the average weight per piece estimate from ODIS-RPW, and multiple it by volume counts [number of pieces] from RDM. *Id.* at 6.

Second, CNS customers might seek a refund for labels they create, but do not use. While the refund transactions are available by product, they are not separated by parent products and extra services. The Postal Service proposes a special adjustment to spread aggregate refunds between insured and non-insured parent products and extra services. This is a multi-step process, where the Postal Service relies on RDM data, but also applies average weight per piece estimated using ODIS-RPW data.

The Public Representative finds that the proposed adjustments are reasonable. The Public Representative also agrees that for reporting purposes, census system should provide more accurate data than a statistical sampling system.

Although CNS Priority Mail numbers are comparatively small, there is a notable (10-20 percent) difference between both revenue and volume numbers estimated under

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<sup>12</sup> The Commission has approved the use of POS and SSK census data (instead of ODIS-RPW sampling data) for RPW reporting on some mail services. See Docket No. RM2009-10, Order on Analytical Principles Used in Periodic Reporting (Proposals Three through Nineteen), November 13, 2009, at 38-39 (Order No. 339) and Docket No. RM2014-4, Order on Analytical Principles Used in Periodic Reporting (Proposals One through Two), June 25, 2014 at 1-6 (Order No. 2101).

<sup>13</sup> Order No. 2101 at 5 and Order No. 339 at 39.

<sup>14</sup> For flat-rate products, CNS does not require that weight be accurately reported in RDM. Petition at 6.

the current and proposed methodology.<sup>15</sup> For certain CNS Priority Mail parent product categories, the difference in estimates is even higher.<sup>16</sup> Although average difference in CNS Priority Mail weight [under current and proposed methodology] is under 5 percent,<sup>17</sup> for the vast majority of the mail categories, the difference is substantially higher in absolute value. The comparatively modest average difference is a result of the positive and negative variations that compensate each other. In the Responses to CHIR No. 1, the Postal Service confirms its uncertainty about any precision in either the current or the proposed methodology.<sup>18</sup> The Postal Service still indicates that moving to the proposed census methodology will lead to improved RPW reporting.<sup>19</sup> The Public Representative generally agrees. However, after reviewing the provided documentation (including the worksheet filed under seal), the Public Representative has a few concerns described below.

Consistency between RDM and ODIS-RPW systems. The Public Representative has noticed a small discrepancy between CNS activities for Priority Mail reported in ODIS-RPW sampling system and RDM census system.<sup>20</sup> The comparison of the CNS Priority Mail product categories in these two systems show that one mail category is excluded from reporting under the proposed methodology.<sup>21</sup> Although in quantitative terms such exclusion might be insignificant, it is worth consideration in qualitative terms. The Postal Service, however, does not provide any explanation here. The Public Representative believes that the Postal Service needs to clarify how it is going to

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<sup>15</sup> See Public Worksheet, Sheet “Table A”, Rows 25-26.

<sup>16</sup> Compare revenue and volume estimates obtained using ODIS-RPW and RDM systems and presented in Nonpublic Worksheet, Sheet “Priority Parent”.

<sup>17</sup> Petition at 8 and Public Worksheet, Sheet “Table A”, Cell M25.

<sup>18</sup> Responses to CHIR No. 1, Question 4.

<sup>19</sup> *Id.*

<sup>20</sup> See Nonpublic Worksheet, Sheet “Priority Parent”,

<sup>21</sup> *Id.*, Row 10.

account for CNS activities related to the omitted mail category, if Proposal Six is approved.<sup>22</sup>

Accuracy of the impact calculations. In its Attachment to Response, the Postal Service provides a spreadsheet showing the impact of Proposal Six on Priority Mail revenue and volume estimates. The CNS Priority Mail revenue used to calculate the impact on overall Priority Mail revenue reflects the *intermediate* revenue number for CNS Priority Mail non-insured transactions (estimated under the proposed methodology, but *not adjusted for refunds*).<sup>23</sup> The reason for using such intermediate number is unclear. Although Proposal Six does not impact the aggregate refunds, the distribution of refund revenue between parent products and extra services would change under the proposed methodology.<sup>24</sup> Also, since it is not visible from the provided documentation how refund distribution is handled under the current methodology, additional clarification would be beneficial.

Other issues. The Public Representative suggests that, for transparency purposes, the Postal Service improve labeling its headers in the presented materials.<sup>25</sup>

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<sup>22</sup> It is possible that under the proposed methodology, revenue and volume for the omitted mail category is combined with revenue and volume for another mail category. See *Id.*, Row 10, Cells F10-G10 and Row 9, Cells L9-M9. However, in this case, the Postal Service should recalculate average weight per piece for this [updated] mail category. See *Id.*, Cell P9.

<sup>23</sup> This intermediate revenue number is provided in Cell I9 (Attachment to Response) and in Cell I7 (Public Worksheet, Sheet “Table A”). The CNS Priority Mail [parent product] revenue for non-insured transactions recalculated under the proposed methodology and *adjusted for refunds* can be found in Public Worksheet, Sheet “Table A”, Cell K7. See also Petition at 8.

<sup>24</sup> See Public Worksheet, Sheet “Table B”, Rows 15-19.

<sup>25</sup> For example, in the Attachment to Response, there is no label for the numbers provided in Row 24, although these numbers are used to calculate the impact of Proposal Six on Priority Mail revenue and volume.

#### IV. CONCLUSION

The Public Representative respectfully submits the foregoing Comments for the Commission's consideration.

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