

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 Eight)

Docket No. RM2015-17

ORDER ON ANALYTICAL PRINCIPLES USED IN PERIODIC REPORTING
(PROPOSAL EIGHT)

(Issued October 1, 2015)

I. INTRODUCTION

On August 5, 2015, the Postal Service filed a petition pursuant to 39 C.F.R. § 3050.11, requesting that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to periodic reports.¹ Proposal Eight provides a formal methodology to estimate the avoided costs for the new workshare discount for Standard Mail Carrier Route flats on 5-Digit Carrier Route flats pallets. Petition at 1.

On August 12, 2015, the Commission issued Order No. 2661 establishing the instant docket for consideration of the Petition, designating an officer of the Commission

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Eight), August 5, 2015 (Petition).

(Public Representative) to represent the interests of the general public, and establishing dates for filing initial and reply comments.² On August 20, 2015, one information request was issued seeking clarification of a term used in the proposal, a summary table showing the impact of Proposal Eight, and a copy of the avoided costs model reflecting changes proposed in the instant docket.³ The Postal Service responded to CHIR No. 1 on August 27, 2015.⁴ On September 9, 2015, the Public Representative filed comments in response to Order No. 2661.⁵ No other comments were filed. For the reasons discussed below, the Commission approves Proposal Eight.

II. BACKGROUND

The Postal Service filed the Petition in response to Order No. 2472, which directed the Postal Service to file, within 90 days of the issuance of the order, a formal methodology for determining the avoided costs for the new 5-Digit Carrier Route pallet discount for Standard Mail Carrier Route flats.⁶

The Postal Service explains that prior to the planned price adjustments in Docket No. R2015-4, the Carrier Route product afforded customers only destination entry discounts. Petition, Proposal Eight at 1. The Postal Service's price adjustment in Docket No. R2015-4 introduced a preparation discount for Carrier Route flats prepared on 5-Digit Carrier Route pallets. *Id.* The Postal Service states that when a commercial

² Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Eight), August 12, 2015 (Order No. 2661).

³ Chairman's Information Request No. 1, August 20, 2015 (CHIR No. 1).

⁴ Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 1, August 27, 2015 (Response to CHIR No. 1).

⁵ Public Representative Comments in Response to Order No. 2661 Concerning Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Eight), September 9, 2015 (PR Comments); see *also* Motion of Public Representative for Late Acceptance of Comments, September 9, 2015. The motion is granted.

⁶ Docket No. R2015-4, Order on Revised Price Adjustments for Standard Mail, Periodicals, and Package Services Products and Related Mail Classification Changes, May 7, 2015, at 63 (Order No. 2472).

mailer has at least 250 pounds of Carrier Route mail destinating in a 5-Digit zone or 5-Digit Scheme,⁷ the customer can prepare a 5-Digit Carrier Route pallet, *i.e.*, a 5-Digit pallet containing only Carrier Route bundles. *Id.* at 1-2. The preparation of 5-Digit Carrier Route pallets allows the Postal Service to cross-dock⁸ the pallet for transportation directly to the delivery unit and bypass all bundle sortation operations. *Id.* at 2.

III. PROPOSAL EIGHT

A. Postal Service Proposal

The Postal Service proposes to modify the Standard Mail Flats Cost Model to produce estimates of mail processing avoided costs for Carrier Route pieces on 5-Digit Carrier Route pallets. *Id.* at 1. The Postal Service states that the general architecture of the model is retained, but it is expanded to explicitly model the unique characteristics and flows of Carrier Route flats.⁹ Specifically, the Postal Service employs a similar methodology as the one used to estimate the avoided costs of Standard Mail Flats, but with input data (*e.g.*, mail preparation profile and bundle flow parameters) specific to Carrier Route pieces. *Id.* at 2.

⁷ For a 5-Digit sort, pieces are addressed for delivery within the same 5-Digit ZIP Code. However, for a 5-Digit Scheme sort, pieces are addressed for delivery within the same grouping of two or more 5-Digit ZIP Codes processed by the Postal Service as a single scheme. 5-Digit Scheme sorts allow mailers to combine pieces addressed to two or more 5-Digit ZIP Code areas.

⁸ Cross-docking is a dock transfer that entails transporting mail that has not and will not be processed in a facility. Mail may be transported directly to staging units for delivery without further sortation.

⁹ *Id.*; see also Response to CHIR No. 1, question 2, Excel file "STD_FLATS_Order 2472-5," which shows nine tabs were added to the end of the file to develop the avoided costs of Carrier Route flats.

B. Comments

The Public Representative filed comments on September 9, 2015. No other comments were received. The Public Representative recommends that the Commission approve Proposal Eight. PR Comments at 3. She states that the modeling methodology will enable the Postal Service to produce estimates of mail processing cost avoidances for Carrier Route pieces on 5-Digit Carrier Route pallets. *Id.* She elaborates that these avoided costs estimates will facilitate the evaluation of the new workshare discounts for Carrier Route pieces prepared on 5-Digit Carrier Route pallets and thereby ensure compliance with 39 U.S.C. § 3622(e). *Id.*

IV. COMMISSION ANALYSIS

The Commission approves Proposal Eight. Proposal Eight provides a formal costing methodology for the proxies accepted in Docket No. R2015-4 representing the avoided costs of Carrier Route flats prepared on 5-Digit Carrier Route pallets. It will allow the Commission to analyze the new workshare discount for Carrier Route flats in the Commission's Annual Compliance Determinations for compliance with 39 U.S.C. § 3622(e).

The Commission finds that the proposed methodology will provide accurate and reliable mail processing avoided costs estimates for Carrier Route flats. The methodology is based on the accepted methodology and structure used for Standard Mail Flats, but with the inputs updated to reflect Carrier Route pieces.

The Commission recognizes that the Postal Service submitted a separate petition to amend the Standard Mail Flats Cost Model to develop avoided costs for the new Flats Sequencing System workshare discounts.¹⁰ This Order does not address proposed Modifications One and Nine. The Commission will address those proposed changes in Docket No. RM2015-16.

¹⁰ See Docket No. RM2015-16, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Seven), August 5, 2015.

V. ORDERING PARAGRAPH

It is ordered:

For purposes of periodic reporting to the Commission, the Commission approves the changes in analytical principles proposed by the Postal Service in Proposal Eight as set forth in the body of this Order.

By the Commission.

Ruth Ann Abrams
Acting Secretary