



BAC 7710-FW-P

POSTAL REGULATORY COMMISSION

39 CFR part 3050

[Docket No. RM2019-1; Order No. 4849]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commission is acknowledging a recent filing requesting the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports (Proposal Eight). This document informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* November 9, 2018.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On October 5, 2018, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Eight.

II. Proposal Eight

Background. The Postal Service seeks to modify the modeling methodology in First-Class Mail and Marketing Mail Letter cost models to reflect current operational flows. Petition, Proposal Eight at 1. The Postal Service states that Proposal Eight relates to the Commission's directive in the FY 2017 Annual Compliance Determination Report for the Postal Service to "provide a plan to move the passthrough toward 100 percent" for USPS Marketing Mail Automation Letters Barcoding.² The Postal Service states Proposal Eight "aligns the barcode cost avoidance and the associated passthrough with the Commission's directive." *Id.*

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Eight), October 5, 2018 (Petition).

² *Id.* Docket No. ACR2017, Annual Compliance Determination Report, March 29, 2018, at 26.

The Postal Service states that it developed its current mail processing letter cost models when cancellation equipment had limited functionality. *Id.* at 2. The outgoing primary scheme could not isolate mail for all automated area distribution centers (AADCs), and mail for low volume AADCs flowed to the outgoing secondary scheme. *Id.*

The Postal Service states that due to advances in Optical Character Recognition (OCR) technology, its Advanced Facer Cancellor System (AFCS) is now able to read addresses and isolate locally-processed mail from mail destinating in the service territory of other processing facilities. *Id.* This capability eliminated the need for local separations on outgoing primary schemes, or the processing of pre-barcoded mail on the outgoing secondary scheme. *Id.* The Postal Service states the result is an increased quantity of mail processed on the outgoing primary scheme. *Id.* at 2-3.

Proposal. The Postal Service proposes three operational and methodological changes: (1) modification of models to reflect current operational flows; (2) correction of the exclusion of mechanical rejects from the Input Sub System (ISS); and (3) removal of the conflation of differential flows between Output Sub System (OSS) operations and automation barcode sortation (BCS) operations in the Marketing Mail Letters cost model. *Id.* at 3.

The Postal Service states that modification 1 aligns the current operational flows of automation pre-barcoded Mixed AADC (MAADC) mail with modeled automation mail. *Id.* at 4. The modification changes the inflow of 10,000 pieces of modeled mail from the outgoing secondary entry point. *Id.* The Postal Service

states that the “modification directly impacts only the Automation MAADC Presort Letters and Cards categories.” *Id.*

The Postal Service states that the current letter models do not account for mechanical rejects that flow to manual operations. *Id.* The Postal Service states that the delivery BCS (DBCS) Input Output Sub System (DIOSS) reject rate is composed of the OSS rate of rejects flowing to manual operations. *Id.*

Modification 2 “corrects the DIOSS operations’ treatment of rejects to that of traditional OSS/ISS operations for treatment of pieces flowing to manual operations and to OSS operations.” *Id.*

The Postal Service suggests that the current Marketing Mail Letters cost model, calculating the barcode cost avoidance as the difference between modeled (Non-Automation) Machinable MAADC letters and Automation MAADC letters, “conflates the value of the barcode with intrinsic differences between non-barcode and automation mail.” *Id.* at 5. Modification 3 corrects the model for machinable MAADC mail by using the same down flow densities as automation MAADC mail, “thereby accurately estimating the value of a barcode when used as a benchmark.” *Id.* The Postal Service states that this modification applies only to Marketing Mail Letters. *Id.* at 6.

Rationale and impact. The Postal Service states that it intends for the proposal to modify the letter processing models to reflect “current operational reality.” *Id.* at 1. The Postal Service states that the proposal would increase the barcode cost avoidance of Marketing Mail Automation MAADC letters from \$0.001 to \$0.006, while reducing the passthrough from 1300 percent to 217

percent. *Id.* at 6. The Postal Service provides the change in mail processing unit costs for Marketing Mail Letters and First-Class Mail Letters and Cards. *Id.* at 7-8.

III. Notice and Comment

The Commission establishes Docket No. RM2019-1 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission's Web site at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Eight no later than November 9, 2018. Pursuant to 39 U.S.C. 505, the Commission designates Katalin K. Clendenin as an 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. RM2019-1 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Eight), filed October 5, 2018.

2. Comments by interested persons in this proceeding are due no later than November 9, 2018.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Katalin K. Clendenin 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.

Stacy L. Ruble,

Secretary.

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