



**BAC 7710-FW-P**

## **POSTAL REGULATORY COMMISSION**

### **39 CFR part 3050**

**[Docket No. RM2019-8; Order No. 5145]**

### **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 Three). This document informs the public of the filing, invites public comment, and takes other administrative steps.

**DATES:** *Comments are due:* August 19, 2019.

**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 July 9, 2019, 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.<sup>1</sup> The Petition identifies the proposed analytical changes filed in this docket as Proposal Three.

## **II. Proposal Three**

*Background.* Proposal Three relates to the methodology used to distribute enhanced payments made under the PRIME agreement. Petition, Proposal Three at 1. PRIME is an international agreement among approximately 141 designated postal operators working together in the tracked packet area. *Id.* n.1. Under PRIME, designated postal operators provide each other with enhanced payments, in addition to the basic per item payment, for the timely return of scans. *Id.*

The Postal Service used a new methodology to distribute these PRIME enhanced payments in its most recent International Cost and Revenue Analysis (ICRA).<sup>2</sup> In the FY 2018 Annual Compliance Determination, the Commission accepted the Postal Service's distribution of the payments but determined that

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<sup>1</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), July 9, 2019 (Petition).

<sup>2</sup> Docket No. ACR2018, USPS-FY18-NP2 - FY 2018 International Cost and Revenue Analysis (ICRA) Report (Revised 2/11/19), February 11, 2019 (February 11 ICRA).

the Postal Service’s revised methodology “must be thoroughly reviewed by the Commission and stakeholders through a docketed proceeding before it can be used in future ACRs.”<sup>3</sup> Accordingly, the Commission directed “the Postal Service to file a petition for the initiation of a proceeding to review this proposed change in analytical principles within 90 days” of the issuance of the FY 2018 ACD. *Id.*

*Proposal.* The Postal Service’s proposal seeks to revise the methodology used to distribute PRIME enhanced payments. Under the existing methodology, PRIME costs are distributed entirely to First-Class Package International Service (FCPIS) because the costs are treated as an “indistinguishable aggregate.” *Petition, Proposal Three at 1.*

The Postal Service reports that it is now possible to distribute PRIME costs across products and between Negotiated Service Agreement (NSA) and non-NSA FCPIS. *Id.* This is accomplished by making use of the “UX” key for tracked mail in the System for International Revenue and Volume, Outbound (SIRVO). *Id. at 3.* As a result, Proposal Three expands the distribution of PRIME costs beyond FCPIS. *Id.*

*Rationale and impact.* The Postal Service states that the current methodology “does not take advantage of the additional information” provided by the UX key for tracked mail in SIRVO. *Id.* The Postal Service reports that the existing methodology allocates all PRIME costs to the non-NSA FCPIS settlements and unitizes those charges based on non-NSA volumes. *Id.* The

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<sup>3</sup> Docket No. ACR2018, Annual Compliance Determination, April 12, 2019, at 105 (FY 2018 ACD).

Postal Service concludes that “[t]his essentially set the unitized PRIME payments too high.” *Id.* Proposal Three seeks to distribute these amounts “based on proportions of UX across products and between NSA and non-NSA FCPIS.” *Id.*

The impact of Proposal Three is that costs are shifted away from FCPIS to Outbound Single-Piece First-Class Mail, Priority Mail Express International, International Priority Airmail (IPA), International Direct Sacks -- M-Bags, and associated Outbound NSAs. *Id.* at 4.

### **III. Notice and Comment**

The Commission establishes Docket No. RM2019-8 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 Three no later than August 19, 2019. Pursuant to 39 U.S.C. 505, Katalin K. Clendenin is designated 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. RM2019-8 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 Three), filed July 9, 2019.

2. Comments by interested persons in this proceeding are due no later than August 19, 2019.

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.

**Ruth Ann Abrams,**

*Acting Secretary.*

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