



POSTAL REGULATORY COMMISSION

39 CFR Part 3050

[Docket No. RM2025-4; Order No. 8002]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

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

DATES: *Comments are due:* December 10, 2024.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <https://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 November 13, 2024, 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 presents a methodology for developing shape-specific labor productivity data for non-MODS manual distribution activities using eFlash volumes and workhours derived from costs for the corresponding In-Office Cost System (IOCS)-based non-MODS cost pools. Petition at 1.

II. Proposal

Background. The Postal Service states that measuring labor productivity associated with manual letter and flat distribution operations “is a longstanding challenge for modeling the costs of mail processing flows in the development of avoided costs for worksharing.” *Id.* Proposal at 1. The Postal Service notes that directly measuring the number of manually processed pieces is “costly” in the absence of passive data collection, which is possible in automated operations. *Id.* Additionally, the reliability of measuring productivity depends on accurately measuring workhours. *Id.*

The Postal Service notes that MODS workhours “have long been used both to develop labor costs by cost pool and in labor productivity statistics for mail processing plants,” but operation-level workhour data have not been used to develop costs for non-MODS operations. *Id.* The Postal Services states that manual productivities’ volume inputs use either indirect volume measurements or special studies of distribution productivity, which are limited in frequency and scope. *Id.* at 2. The Postal Service notes that, currently, the projection of manually processed mail volumes is determined as fractions of automation piece counts, which has not been updated since Fiscal Year (FY) 2015 “due to

¹ Petition of the United States Postal Service to Initiate a Proceeding to Change Analytical Principles and Notice of Filing Non-Public Materials, November 13, 2024 (Petition). The proposed change is attached to the Petition (Proposal).

concerns regarding the reliability of those conversion methods.” *Id.* It also notes that manual productivity for incoming secondary letter distribution dates to Docket No. MC95-1, when plants conducted significant amounts of manual incoming secondary sortation for letters and flats.² Although manual productivity has focused on plant and Network Distribution Center (NDC) operations, manual distribution work is “concentrated at non-MODS post offices, stations, and branches” making productivities applicable to non-MODS operations an important aspect for modeling manual mail processing costs. *Id.*

The Postal Service asserts that the eFlash system can be used as a source of manual processing volumes for non-MODS operations and covers letters, flats, and parcels distribution. *Id.* at 3. These volumes are obtained by converting linear measurements (in inches) of pieces staged for processing into piece counts and is standard operating procedure for both larger and smaller post offices. *Id.* Additionally, the Postal Service states that eFlash data also includes workhours for letter, flat, and parcel operations in Labor Distribution Code (LDC) 43. *Id.*

The Postal Service explains that, to determine whether eFlash workhours could be used in productivity calculations, it investigated “both the extent to which the eFlash workhours covered the corresponding mail processing cost pools and the extent to which the eFlash workhours included activities other than the expected shape-related processing work.” *Id.* The Postal Service notes that the concerns are “post office activities may be relatively fluid over the course of the workday, such that actual and clocked work activities may systematically differ, and relatedly that a substantial amount of post office distribution labor may be

² *Id.* However, manual processing volume for parcels is generated as a “byproduct of tracking scans taken during proceeding activities.” *Id.*

clocked into non-shape-specific mail processing operations.” *Id.* at 3-4. The Postal Service’s investigation indicated that eFlash workhours underestimate total labor used in the shape-related cost pools and that, as a result, the use of eFlash workhours will overstate labor productivities. *Id.* at 4-6.

Proposal. Based on the discussion above, the Postal Service states that its proposed productivities would use “eFlash-based aggregate volumes for letters, flats, and parcels, from the L43L, L43F, and L43P lines, respectively, for the numerator of the productivity (pieces per workhour).” *Id.* at 6-7. The Postal Service also states that, to obtain corresponding workhour estimates, the proposed methodology would convert the total cost for the non-MODS manual letters, flats, and parcels cost pools into hours using the mail processing wage rate, and the resulting workhours would then be used as the denominator of the productivity calculation. *Id.* at 7. Table 4 of the Proposal demonstrates the proposed conversion of costs to workhours for FY 2023. *See id.* table 4. The Postal Service then combines the eFlash volumes with the converted workhours, which results in the productivities presented in table 5 of the Proposal. *See id.* at 8, table 5.

The Postal Service maintains that the proposed changes are an improvement to the currently used productivity data. *Id.* at 8. It states that the proposed changes “employ[] current data collected in ongoing systems that directly represent post office distribution operations and can be updated annually.” *Id.* The proposed changes would also eliminate the use of “stale” data. *Id.* at 8-9; *see generally supra.*

Impact. The Postal Service explains that “the new [labor] productivity will (other things equal) decrease model costs if the new productivity is higher or increase them if the new productivity is lower.” Petition, Proposal at 10. “The

change in model costs will then affect the model's proportional adjustment factor in the opposite direction...." *Id.*

The Postal Service then explains that the magnitude of the effect of the productivity change will depend upon the extent to which various categories of mail require manual processing in Function 4 operations. *Id.* The Postal Service again notes that most parcel volume receives Function 4 sorts whereas most letter and flat volumes bypass it, either because of automation or presorting to carrier route. *Id.*

The Postal Service presents the impact of Function 4 letter productivity on the letter cost model results in USPS-FY23-10 (table 7), the impact of Function 4 flat productivity on the First-Class and USPS Marketing Mail flat cost model in USPS-FY23-11 (table 8), and the impact of Function 4 flat productivity on the piece costs in the Periodicals model in USPS-FY23-11 (table 9). *See id.* at 11-12. In addition, the impact of Function 4 parcel productivity on the Parcel Select mail processing cost model are filed under seal. *Id.* at 12.

III. Notice and Comment

The Commission establishes Docket No. RM2025-4 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission's website at <https://www.prc.gov>. Interested persons may submit comments on the Petition and the Proposal by December 10, 2024. Pursuant to 39 U.S.C. 505, Nikki Brendemuehl 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. RM2025-4 for consideration of the matters raised by the Petition of the United States Postal Service to Initiate a Proceeding to Change Analytical Principles and Notice of Filing Non-Public Materials, filed November 13, 2024.

2. Comments by interested persons in this proceeding are due December 10, 2024.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Nikki Brendemuehl 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 the publication of this order in the **Federal Register**.

By the Commission.

Erica A. Barker,

Secretary.

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