

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting (Proposal Eight)

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Docket No. RM2024-2

**MOTION OF THE
AMERICAN CATALOG MAILERS ASSOCIATION (ACMA)
FOR ISSUANCE OF INFORMATION REQUEST**

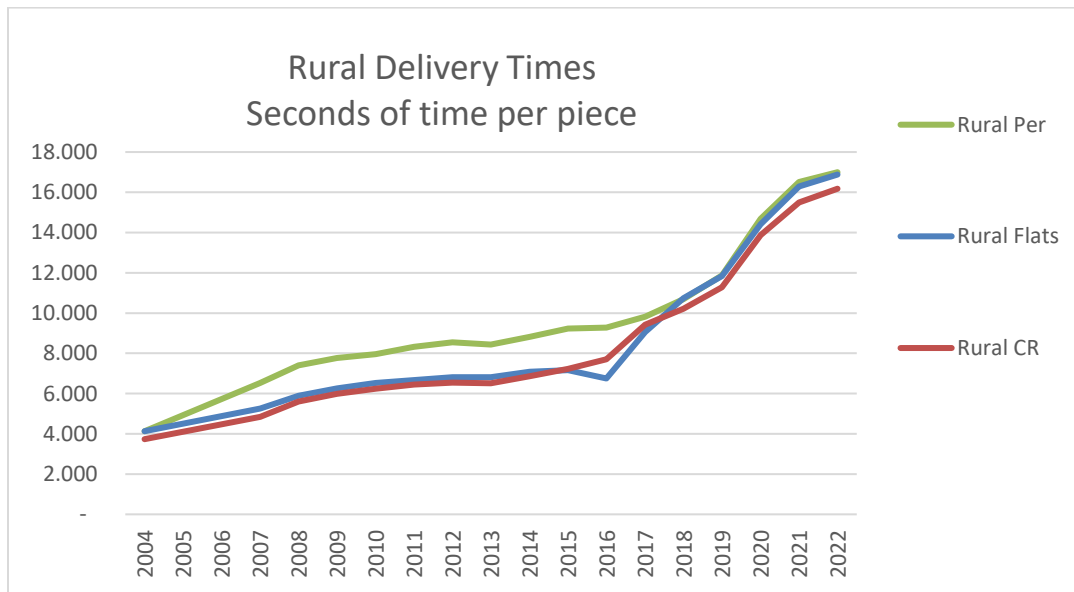
(December 20, 2023)

In accordance with 39 C.F.R. § 3010.170, ACMA requests that the Commission issue an Information Request to the Postal Service to obtain information that should provide additional perspective concerning the Service's proposal to change the procedure used to attribute rural carrier costs, a proposal filed November 27, 2023.

ACMA is interested in, and affected by, the rural carrier costs attributed to flats, which would be changed by instant Proposal Eight. In order to have a longer-term view of these costs, ACMA assembled rural attributable costs for the fiscal years 2004 through 2022 for the Marketing Mail Flats (Flats) product, the Marketing Mail Carrier Route (CR) product, and the Periodicals class, each dominated by flats. The accompanying spreadsheet shows these costs, and graphs of them, on a cents-per-piece basis, in index form, and in terms of seconds of time per piece. As the cost

coverage, usually expressed in percentage form, is the ratio of the per-piece revenue to the per piece cost, these costs are obviously important.

For Flats, CR, and Periodicals, the following graph shows the attributable rural costs in terms of seconds per piece. Looking at seconds of time relates directly to the work being done and focuses on a figure that is not directly affected by inflation. It is true, of course, that the cost of a second varies with the wage level.



The times for flats do not vary significantly with the product category. In 2004, the cost was about 4 seconds per flat and in 2022 was about 17 seconds per flat. This is a startling increase. Just as noteworthy is that the times increased moderately until 2016 and then began to increase much more rapidly, and this is true for all categories. In rate-of-growth terms, the seconds per piece of Flats grew at a compound annual rate of 4.17% from 2004 to 2016, and at a compound annual rate of 16.52% from 2016 to 2022. Both rates are somewhat steady, but the recent rate is approximately four times the earlier rate.

In his study, submitted by the Postal Service in this case, Michael Bradley says that “[t]he current established methodology was set by the Commission in Docket No. R97-1” (at 10). Obvious questions exist. Accordingly, in order to understand what has been happening and to evaluate the proposal in this light, ACMA submits the questions appended to this motion.

Respectfully submitted,

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PROPOSED QUESTIONS

1. Please see the accompanying spreadsheet, prepared by ACMA. For the fiscal years 2004 through 2022, it contains estimates of attributable rural carrier costs, on a per-piece basis, for the flats categories Marketing Mail Flats, Marketing Mail Carrier Route, and Periodicals, each dominated by flats. It expresses this attribution in terms of cents per piece, an index of cents per piece, and seconds of time per piece, showing these in tables and graphs. It also contains a CPI index.

(a) Do you agree that the input data and the figures developed in the spreadsheet are reasonably accurate? If you do not, please present improved figures, with sources, and answer the following questions in terms of the figures you provide. In any case, please provide the missing costs and volumes for 2005 and 2006.

(b) In operational terms and in modeling terms, please explain why the time per piece increased from a level of about 4 seconds in 2004 to a level of about 17 seconds in 2022. Explain why you do or do not think this is a reasonable increase.

(c) Please explain why the costs and times increased at a moderate pace from 2004 until 2016 (a compound annual growth rate of about 4.2% for the times for Flats) but then began increasing steadily at a much more rapid rate (a compound annual growth rate of about 16.5% for the times for Flats) from 2016 to 2022.

(d) Under the attribution procedure proposed in this docket, please provide the attribution in cents per piece and seconds per piece for as many years as data are available, but not before 2004, for rural Flats, CR, and Periodicals.

(e) Under the proposed procedure, is it reasonable to expect attribution levels, on a per piece basis, to continue increasing at the rate observed since 2016?

(f) If you are able to identify defects in the current attribution procedure that led to the patterns observed in the graphs, please explain what those defects are and how the new model overcomes those defects, if it does.