

grown.⁴ Because these new models and methods use new data collection systems, the rule must be updated to include the new data systems if the Commission and the affected public are to understand how they are used to produce the CRA.

A primary reason that the Commission was slow to update its Periodic Reporting Rule to include this new cost data was that the capability to use this information only became available gradually. For much of this time, the Commission wrestled with Postal Service datasets and programs developed on a mainframe COBOL platform. Despite hiring a series of service bureaus and consultants who specialized in this data processing platform, the Commission and participants in rate hearings were generally not successful in reading, understanding, and using the datasets and programs that the Postal Service developed on this platform. It was not until the mid-1990s, when the Postal Service began providing some of this information in the mainframe SAS language, that the Commission's staff and some hearing participants were able to convert such information to PC-compatible versions that they could read, understand, and use.

Although the Commission, by the mid-1990s, was beginning to acquire the technical capacity to use the data and programs that underlie the Postal Service's periodic cost reports, it did not update the Periodic Reporting Rule to reflect its technical progress. This is because the Postal Service had been providing the information needed on an annual basis anyway, apart from the rule. It provided the basic data and documentation underlying the CRA each year from FY 1995 through FY 2000. Sometimes it provided this information in support of a rate or classification request. Other times it provided it voluntarily, simply to be helpful.⁵

Since the most recent omnibus rate case was settled, however, the prospect for continuing to get an adequately documented CRA each year has dimmed. Passage of Pub. L. 108-18, which dramatically reduces the Postal Service's contribution to the Civil

Service Retirement Fund, led to a Postal Service promise not to increase rates until 2006. Consequently, the Postal Service is unlikely to file a documented version of the CRA in support of an omnibus rate request for four years—from FY 2001 through FY 2004. The Postal Service is signaling that it will not voluntarily submit such information in the future. Unless the Periodic Reporting Rule is updated to seek a moderate level of documentation of the Postal Service's CRA each year, the outside world will not be able to competently interpret the CRA for up to four years. The Commission and the intervenors do not believe that the regulatory scheme established by the Postal Reorganization Act can function as Congress intended if they are to be kept in the dark for up to four years. By updating its Periodic Reporting Rule, the Commission will eliminate long blackout periods of this kind.

B. The Postal Service's Scope and Burden Objections

The preceding discussion of the history of the Periodic Reporting Rule and the considerations that shaped the update to the rule respond to the Postal Service's speculations that the update was prompted by an array of improper motives. As the preceding discussion makes clear, the Commission's objective in adopting the rule has remained the same over the 27-year life of the rule—to help the Commission perform its statutory functions more quickly and efficiently.

To do that, the rule directs the Postal Service to provide current-year financial reports summarizing the Postal Service's financial results, with enough mid-level documentation to allow the Commission and the affected public to competently interpret them. The rule also directs the Postal Service to provide intermediate-level datasets that will allow outside analysis of postal cost and volume behavior to continue between omnibus rate cases. While the information sought is not case-specific, it facilitates the processing of future rate and classification cases by providing essential technical background for evaluating the kind of issues that typically arise in such cases.

The information provided under the rule makes the Commission and the interested public better prepared to process rate and classification cases. As explained above, the rule needs to be updated because the Postal Service has made major changes to the way it estimates its costs and revenues over the past 17 years, and the Commission and the public have developed the technical capability to interpret and use the

information supplied. The rule strikes a reasonable balance between these benefits and the added burden on the Postal Service of providing this additional information. As in the past, the Commission is willing to make appropriate arrangements to protect information that the Postal Service believes to be commercially sensitive.

The Postal Service expresses concern that the Commission has ulterior motives for seeking to update the rule. These include a desire to change its institutional relationship with the Postal Service, to arrogate to itself auditing, supervisory, and managing functions reserved to others under the Postal Reorganization Act, and to hijack the legislative reform process. Substantive Comments at 2-3. This questioning of the Commission's motives proceeds from the premise that the amount of data that the updated rule would require the Postal Service to provide is far out of proportion to its needs. This premise reflects two beliefs—that the updated rule requires documentation of the CRA equivalent to that required in an omnibus rate case, and that the Commission has no need for financial information unless it is actively processing an omnibus rate request.

Scope Arguments Based on the Wording of the Rule

When the Postal Service asserts that the updated rule requires CRA documentation on the same scale and scope as it provides in an omnibus rate case it grossly mischaracterizes the requirements of the rule. It finds support for its assertion in the "very broad" wording of the rule, quoting the preamble to proposed rule 102(a)(1):

All input data, all processing programs that have changed since the most recently completed general rate proceeding, and all computer programs used to attribute mail processing costs to subclasses, if they are used to produce the Cost and Revenue Analysis Report (CRA).

Without analyzing this language, it asserts that the proposed rule could

potentially call for production of virtually all information used in the production of the CRA report, from secondary, tertiary, and lower inputs to the CRA model and its inputs to raw data collected by the Postal Service's data collection systems.

Substantive Comments at 3.

It should be made clear at the outset that the CRA deals with only half of the costing issues that are addressed in detail in an omnibus rate case. The CRA summarizes the Postal Service's estimates of attributable costs by cost segment and by subclass. Equally important to recommending a comprehensive set of rates, and equally

⁴ In 1997, the Postal Service discarded the LIOCATT-based method of distributing mail processing costs in favor of the much more complex MODS-based method. In its recent submissions under the Periodic Reporting Rule it provides much less documentation of its new, complex method than it had been providing for the older, simpler method.

⁵ For example, in 1998, the Postal Service voluntarily provided a fully documented CRA reflecting Commission-approved attribution methods for FY 1997.