

**BEFORE THE
POSTAL REGULATORY COMMISSION**

**MODIFICATION OF
MAIL CLASSIFICATION SCHEDULE
PRODUCT LISTS**

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Docket No. MC2009-19

**COMMENTS OF UNITED PARCEL SERVICE
IN RESPONSE TO NOTICE AND ORDER CONCERNING
REQUEST TO ADD SEVEN POSTAL SERVICES TO THE
MAIL CLASSIFICATION SCHEDULE PRODUCT LISTS
(April 30, 2009)**

Pursuant to Commission Order No. 198 (March 30, 2009), United Parcel Service comments on the United States Postal Service's request to modify the Mail Classification Schedule by adding five products to the Competitive Product List. The Commission has invited interested parties to express their views on whether the planned modifications are consistent with the policies of PAEA.

Section 3633(a)(3) of PAEA requires that the Commission "ensure that all competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service." 39 U.S.C. § 3633(a)(3). The Commission has, by regulation, determined that competitive products must recover "at a minimum, 5.5 percent of the Postal Service's total institutional costs." 39 C.F.R. § 3015.7(c).

UPS does not oppose the addition of these five products to the Competitive Product List. We note only that whenever the Commission adds products to the Competitive Product List, it should consider the impact of that action on competitive products' overall contribution to institutional costs. See Docket No. RM2007-1, Order No. 26 (August 15, 2007), at ¶ 3061 (“The Commission anticipates that the need [to revise the 5.5% appropriate share] may arise for any number of reasons, e.g., additions or deletions to the competitive product lists . . .”).

For example, it may be appropriate to increase the minimum contribution expected from competitive products as a whole if the Commission adds to the Competitive Product List a product or group of products that make (or are expected to make) a substantial contribution to institutional costs. If the product lists are altered so that the products on the Competitive Product List earn, or are able to earn, a greater percentage of the Postal Service's revenue than they did before, competitive products as a whole should be required to bear a greater percentage of the Postal Service's institutional costs.

UPS does not have the information necessary to evaluate whether the addition of these particular products will have a meaningful impact on the contribution of competitive products collectively to institutional costs. Moreover, while these products may account for a relatively small portion of competitive products' overall revenue, over 20 competitive products have been added to the Competitive Product List since the

5.5% contribution level was set.¹ See e.g. Docket No. MC2008-8, Competitive Product Prices, Priority Mail Contract 1, Negotiated Service Agreement. As the sheer number of competitive products increases, UPS believes it is important to evaluate the impact of these changes to the competitive products lineup on what should be the proper collective contribution of competitive products to institutional costs.

Respectfully submitted,

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1. The costs and revenues associated with competitive product market tests are also included in the calculation of competitive products' overall contribution to institutional costs under Section 3633(a)(3). 39 U.S.C. § 3641(b)(3). Thus, the Postal Service's proposed Collaborative Logistics market test (see Docket No. MT2009-1) would be another addition to the Competitive Product List for purposes of institutional cost contribution.