

BEFORE THE  
POSTAL RATE COMMISSION

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PERIODIC REPORTING	:	DOCKET NO. RM2003-3
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COMMENTS OF UNITED PARCEL SERVICE IN  
RESPONSE TO NOTICE OF PROPOSED  
RULEMAKING ON PERIODIC REPORTING RULE  
(February 10, 2003)

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Pursuant to Commission Order No. 1358 (January 8, 2003), United Parcel Service ("UPS") submits these comments on the rules proposed by the Commission in this docket.

Rule 102(a)

UPS strongly endorses the provision in proposed Rule 102(a) which would require the Postal Service to provide on an annual basis both a "PRC version" and a "Postal Service version" of the Cost and Revenue Analysis Report ("CRA"). It is self-evident that a report showing the revenues and the attributable costs for each subclass of mail based on the Commission's costing methods should be filed annually, so that the Commission and interested parties can tell (1) whether each subclass of mail is in fact recovering its attributable costs as required by the statute, and (2) whether each subclass is also contributing its fair share to the institutional costs of the Postal Service as determined by the Commission in its latest recommended rate decision. Also, as the Commission states in its Notice, the ability to compare the "PRC Version" of the CRA

with the “USPS Version” is valuable, to permit the Commission and the public to test the accuracy of both versions by examining the consistency of their respective results with the historical relationships between the two. Order No. 1358 at 4.

The rule as adopted should make it clear that the Postal Service should provide all input data, all processing programs that have changed since the last rate proceeding, and all mail processing cost attribution computer programs and other documentation identified in the rule with respect to both versions of the CRA. UPS also endorses the proposed requirement that the reports listed in Rule 102 be submitted “in a form that can be read by publicly available PC software.” Order No. 1358, Attachment at 1 (Proposed Rule 102).

#### Rule 102(a)(10)

UPS welcomes the Commission’s proposal to change Rule 102(a)(10) so as to require the filing of billing determinants for Express Mail, Priority Mail, and parcel post on a more timely basis. It is unreasonable that this information is not filed until it is anywhere “from 21 to 28 months out of date.” See Order No. 1358 at 7.

However, the proposed rule should go further: it should eliminate any distinction between billing determinants for competitive services and those for other services. As the Commission itself has noted, “it would be useful to reexamine the rationale for the current rule.” Order No. 1358 at 7. Furthermore, the Commission should consider a specific deadline for the filing of all billing determinants at the same time, rather than a “floating” deadline pegged to when that information is presented to postal management. There is no reason why billing determinants cannot be filed within some definite time period relatively shortly after the close of the fiscal year.

The distinction in present Rule 102(a)(10) between the billing determinants for Express Mail, Priority Mail, and parcel post and the billing determinants for all other mail services is artificial and unnecessary. That distinction was originally adopted in Docket No. RM89-3, based on a claim by the Postal Service that the Postal Service would somehow be disadvantaged competitively were it required to file billing determinants for competitive services at the same time that it is required to file the billing determinants for all other services. Order No. 839 at 7-8 (August 22, 1989). It appears in that docket that the Commission did not fully explore the issue, but instead relied on its Order in Docket No. RM88-2, where the Commission adopted rules intended to expedite Express Mail “market response” rate requests when there have been changes in the market which endanger Express Mail’s contribution to institutional costs. The circumstances dealt with in those rules -- which have never been invoked by the Postal Service -- are a far cry from the periodic reporting of data in the absence of any demonstrated “changes in the . . . market” that endangers a service’s ability to contribute to institutional costs. Order No. 836 at 3 (August 10, 1989).

Moreover, when the Commission adopted the market response rules, the delay permitted was one year “from the time that the events occur.” Order No. 839 at 8. As the Commission points out in its Notice initiating this proceeding, the corresponding “delay” for purposes of the rule on periodic reporting would be “no later than 12 months after the close of the fiscal year” -- not, as the present rule permits, a delay where the data are “from 21 to 28 months out of date” when they are finally filed. Order No. 1358 at 7.

But more important, time has shown that the Postal Service's speculative claim that prompt filing of billing determinants for competitive services would harm it is without any factual foundation. The Commission's rules on what the Postal Service must file in support of rate requests do not make a distinction between billing determinants for competitive services and those for other services; the Postal Service is required to file current (and projected) billing determinants for all classes of mail, whether competitive or not, when it files a rate case. Yet, the Postal Service has never pointed to even one instance where providing billing determinants for competitive services on a current basis in its rate requests has led to any competitive disadvantage. That is especially telling, since recent rate requests have been filed on a fairly regular basis so that one would expect the relatively more frequent provision of such "competitively sensitive" information in recent rate cases to have had a greater potential for creating the claimed competitive harm.

The Postal Service has never identified any way in which a competitor could possibly use the billing determinants for a competitive service to put the Postal Service at a competitive disadvantage. The only results of not having such information filed on a timely basis have been, for example, to deny the Commission and the parties the ability to test on their own whether the forecasts made in the latest rate case were accurate. The General Accounting Office has recently emphasized the need for greater transparency in Postal Service financial reporting. GAO-03-26R, "Postal Financial Reporting" (November 13, 2002) (letter report to Honorable Daniel K. Akaka and Honorable Thad Cochran). It specifically cited the Postal Service's "minimal explanations" of "causes of changes in revenues and volumes, by business line,

compared with prior periods,” among other deficiencies. *Id.* at 7. The GAO went on to note that annual billing determinants data is not timely reported, and in any event such data “is not available throughout the year for use in periodic analysis.” *Id.* at 14. The time has come to require such transparency.

At the very least, if billing determinants are not required to be timely filed, the Commission should require the Postal Service to report the volumes for each separate rate category or service it provides (e.g., in the case of Package Services mail, the Postal Service should report separately the volumes for each of the rate categories -- DDU parcel post, DSCF parcel post, DBMC parcel post, inter-BMC parcel post, and intra-BMC parcel post). The Postal Service apparently does not consider that level of information to be competitively sensitive, since it has publicly revealed up-to-date information of that type. See, e.g., Exhibit A hereto (excerpt of document provided at the National Postal Forum in April 2002, showing Package Services volume mix by rate category through Accounting Period 7 of FY 2002).

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this date I have caused the foregoing document to be served in accordance with Section 12 of the Rules of Practice.

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John E. McKeever

Dated: February 10, 2003.

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