

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Proposed Amendments to
Filing Requirements

Docket No. RM2003-1

NOTICE OF THE UNITED STATES POSTAL SERVICE REGARDING
ITS REPLY COMMENTS

(February 28, 2003)

The Postal Service filed its reply comments in this rulemaking on February 26, 2003. Since that time, an article in the trade press has focused on several statements included within those comments, without placing them in the context in which they were made. While the Postal Service has no doubt that the Commission will be reading the comments in their entirety, it may nonetheless be useful to ensure that there is no misunderstanding of the intent of its statements.

Concern in the trade press focused on the proposition that the Postal Service's proposals in an omnibus rate case are not intended to constitute a "coherent whole." The Postal Service's reply comments in part addressed United Parcel Service's (UPS) comments, in which UPS advocated requiring the Postal Service to file roadmap documents summarizing the contents and structure of the case in the form of testimony prepared and sponsored by one witness, as opposed to documents prepared with input from the entire ratemaking staff and submitted as an institutional document. In its reply comments, the Postal Service stated:

The UPS comments, moreover, appear to be based on a totally unrealistic notion of the complexities of rate case preparation. UPS states:

But the point is that the single witness *should* be required to “fully comprehend” how the various pieces of the Postal Service’s testimony fit together. Certainly, there is *someone* at the Postal Service responsible for making sure that its proposals constitute a coherent whole that makes sense.

UPS Comments at 3 (emphasis in original). The biggest flaw in these statements may be that they presume that the Postal Service’s proposals are intended to constitute a “coherent whole.” In reality, the Postal Service in a rate case puts forth a series of proposals that collectively display varying degrees of interrelationship. Depending on where they fit in, individual proposals may be added or dropped very late in the preparation process. To expect such an amalgam to constitute a “coherent whole” is simply asking too much.

The inherent premise of the development of a rate case is that each functional group has done their part properly. The pricing staff relies on the expertise of the costing staff. The costing staff relies on the expertise of the data systems staff. Some individuals focus on policy issues, while others focus on technical issues. Some witnesses, such as rate policy, roll-forward, and volume forecasting witnesses, consider issues that necessarily relate to virtually the entire spectrum of rate proposals. Other witnesses focus on very specific costing proposals, classification proposals, or rate design proposals. All witnesses directly coordinate very closely with the colleagues upstream and downstream from them in the case development process. Extensive coordination of that type, however, produces the result that no one individual even attempts to comprehend fully how every single piece of the case fits together. While management, obviously, maintains control over each of the component parts of the case, that control is not unified in any single individual.

In any event, the degree of “coherence” of the Postal Service’s case is not the real issue in this rulemaking. What matters is the best way to present summary information that will allow parties quickly to grasp the nature of all significant proposals, and will direct them where to look to find the complete details of the proposals of interest to them. As explained in its initial comments, the Postal Service is convinced that far greater progress towards the achievement of these objectives is likely to result from an institutional roadmap document, rather than from individual roadmap testimony. Therefore, the Postal Service does not agree with the comments of UPS advocating the retention of the proposed requirement for a roadmap witness.

Postal Service Reply Comments at 3-5.

By these comments, the Postal Service did not intend to imply that the Postal

Service's proposals in omnibus rate cases were not integrated and internally consistent. Rather, the Postal Service's statements regarding "coherent whole" were intended to convey the reality that very many things are going on at once in an omnibus rate filing, and that many of them are not necessarily related to each other. In the context of the assertion of UPS that one individual should be able to fully comprehend how all of the elements of the omnibus case fit together, and be prepared to sponsor testimony and withstand oral cross-examination on the basis of that premise, those statements were entirely appropriate.

For example, compared to a limited and simple classification case in which the Postal Service is presenting new cost studies and rate design testimony in support of proposed new worksharing discounts for a particular category of mail, the Postal Service's proposals in an omnibus rate case do *not* constitute a coherent whole. In the hypothetical limited classification case, every part of the case ties back to the one unifying objective – recommendation of a specific set of proposed discounts. In the sense, therefore, that the component parts of such a limited case do sum to a coherent whole, the vastly more extensive component parts of an omnibus case do not, because there is no single unifying objective. Indeed, that is one definition of omnibus – “of, relating to, or providing for many things at once.”¹

¹ Webster's Ninth New Collegiate Dictionary (1984).

Obviously, it would always be possible to link the various components of even an omnibus rate filing with a unifying theme along the lines of “the pursuit of the establishment of postal rates and fees that best advance the policies of the Postal Reorganization Act.” In that sense, one could correctly postulate that each rate case filing does represent a unified theme. Moreover, at a much more practical level, each case constitutes a coherent whole in the sense that every analytic element of the case fits together in the complex interactive process by which the ultimate conclusion is reached that test year costs at proposed rates will equal test year revenues at proposed rates. As noted in the reply comments, this is achieved through assiduous coordination efforts on the part of each witness. Lastly, in terms of policy, all rate and classification proposals are evaluated simultaneously in order to ensure overall fairness and equity of the rate and classification schedules.² In several other contexts, therefore, it is possible to contemplate rate cases in terms of a coherent whole. The Postal Service’s

² Note the distinction between rate and classification proposals, and use of the term “proposals” in the UPS comments to which the reply comments were responding. UPS, appropriately given the context of the instant rulemaking, was referring to proposals in the sense of every material element in the testimony of every witness, be they rate policy or rate design witnesses, statistical system witnesses, cost or cost study witnesses, operations witnesses, forecasting witnesses, or revenue requirement or roll-forward witnesses. It may be possible for a single individual to have a handle on the full range of actual rate and classification proposals, but it is not reasonable for that same individual simultaneously to be expected to comprehend the interrelationships between every single component of the case, to the point of being able to withstand oral cross-examination regarding them.

statements in its reply comments were not intended to suggest anything to the contrary.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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CERTIFICATE OF SERVICE

I hereby certify that, in accordance with section 12 of the Rules of Practice, I have this day served the foregoing document upon all participants of record.

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