

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

Annual Compliance Report, 2017

Docket No. ACR2017

**REPLY COMMENTS OF
PARCEL SHIPPERS ASSOCIATION AND
AMERICAN CATALOG MAILERS ASSOCIATION, INC.**

(February 12, 2018)

The Parcel Shippers Association (PSA) and the American Catalog Mailers Association (ACMA) and respectfully reply to the initial comments of National Taxpayers Union (NTU),¹ Frontiers of Freedom (FF),² The American Consumer Institute Center for Citizen Research (ACI),³ and United Parcel Service, Inc. (UPS).⁴ Our members depend on universal, affordable, and reliable postal services; and we realize a financially stable Postal Service is necessary to meet these ends.

Transparency

NTU, FF, and ACI argue variations of the oft-repeated but false proposition that there is not enough “transparency” to assure that the Postal Service’s parcel products, in the competitive category, are not being subsidized. NTU Comments at 3; FF

¹ Comments of National Taxpayers Union, February 1, 2018, (NTU Comments).

² Comments of Frontiers of Freedom, February 1, 2018, (FF Comments).

³ Comments of The American Consumer Institute Center for Citizen Research, January 30, 2018, (ACI Comments).

⁴ Initial Comments of United Parcel Service, Inc. on United States Postal Service’s Annual Compliance Report for Fiscal Year 2017, February 1, 2018, (UPS Comments).

Comments at 2; ACI Comments at 2; UPS Comments at 6. To paraphrase President Franklin D. Roosevelt, repetition does not make a falsehood true.

The FY 2017 Cost and Revenue Analysis Report (CRA), which follows Commission-approved costing methods, shows that competitive-product revenues (\$20.7 billion) exceed competitive-product costs (\$13.5 billion). Thus, the competitive products are not subsidized by the market-dominant products, but rather contribute more than \$7 billion to covering institutional costs, to the benefit of the Postal Service and its customers, whether they use market-dominant or competitive products.

While some competitive-product cost information is commercially sensitive and is thus appropriately filed under seal, this does not make the costing of competitive products opaque. As PSA explained in Docket No. ACR2013:

[W]hen it comes to competitive products, requirements for disclosure need to be carefully balanced with the need to provide a level playing field on which the Postal Service and the private sector compete. This involves protecting commercial information that could give Postal Service competitors an unfair market advantage.

UPS is correct that the Postal Service does not publicly present attributable costs by cost segment and component for individual competitive products, but the Postal Service does publicly present substantial data allowing interested parties to evaluate the accuracy of Postal Service costing methods.

The Postal Service describes its costing methods, which must be approved by the Commission, in the Summary Description filed annually with the Commission. Additionally, in its Annual Compliance Report, the Postal Service provides public versions of Library References that implement these PRC-approved costing methods. While these public versions do not include line items for each competitive product, they do include a line item for Domestic Competitive Products as a whole.⁵

Further, for purposes of evaluating the Postal Service's statutory compliance, any interested party can request and be granted access to the detailed competitive-product costing information that is filed under seal. UPS was granted access to the non-public materials for use in this docket. PRC Order No. 4383 at 3.

⁵ Docket No. ACR2013, Reply Comments of the Parcel Shippers Association, February 14, 2014, at 4.

Costs and Costing Methods

We disagree with the assertion that the competitive-product cost estimates are too low. UPS Comments at 3-4. The contribution indicated for the competitive products, at \$7 billion, is huge. Supra at 1. There is no plausible adjustment to costing methods, if upward, that could substantially diminish a contribution this large or materially affect the Postal Service's compliance with the governing statutory cross-subsidy prohibition in section 3633(a) of title 39, United States Code.

UPS raises concerns about certain costing methods and concludes by asking "the Commission [to] investigate the Postal Service's costing models." UPS Comments at 19. We think this approach is appropriate and agree that the Commission, a statutorily-mandated, independent, expert body, is the appropriate forum. By law, the Commission is responsible for reviewing and approving the methods for attributing costs. See, 39 U.S.C. 3652(e). We are dismayed that some parties have chosen to resort to misleading and inaccurate articles, posts, and blogs to criticize the Commission and the Postal Service.

We, along with UPS, have participated from time to time in the Commission's ongoing efforts to identify and evaluate opportunities to improve costing methods through focused rulemaking proceedings. UPS could petition for additional rulemakings as it did in Docket No. RM2016-2. It is not clear, however, that the outcomes UPS suggests in its comments would result.

Conclusion

Finally, we reject the notion, implied in some of the comments cited above, that the Commission has not been meeting its statutory responsibility to find and remedy any cross-subsidization.⁶ Through the annual compliance process and its numerous rulemakings, the Commission has been vigilant and effective in meeting its this statutory responsibility and has found no cross-subsidization.

⁶ See *e.g.*, FF Comments at 2; UPS Comments at 3 ("The conclusion is unmistakable that many costs that are driven by competitive products are not being attributed to competitive products.").

We appreciate the Commission's consideration of these comments.

Respectfully submitted,

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