

BEFORE THE POSTAL RATE COMMISSION
WASHINGTON, DC 20268

7-27-99
10:11 AM

Complaint on Charges for the)
Bulk Parcel Return Service) Docket No. C99-4

CONTINUITY SHIPPERS ASSOCIATION REPLY TO
OFFICE OF CONSUMER ADVOCATE
ON PROPOSED SCHEDULE

The Continuity Shippers Association submits the following reply in support of its proposed schedule for the complaint relative to the rate for the Bulk Parcel Return Service.

The Office of Consumer Advocate (OCA) does not contest the need to review the BPRS rate. The OCA's sole objection is the timing of that review, i.e. whether it should be done now or as part of the next omnibus rate case whenever that may occur.

In support of its position that the review of the BPRS rate should wait for the next (as yet unscheduled) omnibus rate case, the OCA states that (1) rates should not be reviewed in between omnibus rate cases because "costs and revenue are in constant flux" (OCA p. 4), and (2) special circumstances do not exist with BPRS to take it out of the general rule. OCA p. 5. The OCA adds that a review of the BPRS rate will occur in the next omnibus rate case anyway. OCA p. 6. The OCA's reasoning is flawed in several fundamental respects.

A. BPRS is Not Being Reviewed Between Omnibus Rate Cases

This is not a situation involving the normal "flux" of costs and revenue of a rate between omnibus rate cases. BPRS was a new class of service that was created outside of an omnibus rate case in order to remedy a gross injustice. The Postal Service filed MC97-4 to create BPRS in response to a complaint filed by the Advertising Mail Marketing Association. Now, the CSA filed a complaint in response to the 1998 BPRS cost study to refine the BPRS rate. In between, there was an omnibus rate case which did not impact BPRS because the BPRS cost study was in progress. Thus, a review now would not constitute a repetitive review between omnibus rate cases.

B. The History Leading to the Creation of BPRS Supports a Review of the BPRS Rate Now

When BPRS was created, the Postal Service and mailers negotiated a rate of \$1.75 for each return. Everyone understood that the \$1.75 rate would more than cover the costs and provide a hefty contribution for institutional costs. The \$1.12 of costs and use of the system average of 156% for the cost coverage were mere backwards accounting to reach the negotiated \$1.75 rate.

At the OCA's insistence, the Postal Service agreed to conduct a cost study to determine the costs, and presumably lead to a review of the rate. Although not formally designated as an "experimental rate," the purpose of the cost study was to determine the costs and see if the rate was too high, too low or

just right. The Postal Service presented that cost study in October 1998. The time is more than ripe to review the rate.

The history of returns for Standard A parcels cries out for rate relief now. Even assuming the 1998 BPRS cost study is correct, Standard A mailers overpaid for the return service they are now receiving under BPRS. For over 1000 days (from January 1, 1995 through October 12, 1997), these mailers paid \$2.95 per return (which had a cost coverage of 283%) before the Postal Service finally agreed to remedy the situation. Even under the 1998 BPRS cost study (and without considering any reduction in the cost coverage), BPRS users have been overpaying by \$0.13 ($\$1.04 \times 156\% = \1.62 versus $\$1.75$) for two years now. These mailers are entitled to any justified rate relief now.

C. No One Knows When the Next Omnibus Rate Case May Occur

The OCA asserts that review now is less needed because the "Commission will soon be reviewing the cost coverage for this service in the next [omnibus] rate case." OCA p. 6. Despite Postal Service indications, no announcement has been made if a omnibus rate case will be filed at all, and whether it may occur "soon." There is no reason to wait for something that may not happen, or may, happen "not soon."

Further, contrary to the OCA's suggestion (OCA p. 4), rate reduction for improper rates under these circumstances is appropriate no matter how temporary. If the rate is reduced to \$1.48 (using year 2000 costs) as proposed by the CSA, one mailer

alone will save around \$100,000 per year. Thus, immediate relief will have a significant impact on BPRS mailers. Under the CSA's proposal, BPRS will continue to provide a significant contribution of 136% to cover institutional costs.

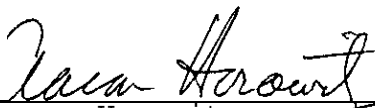
The OCA's statement that the BPRS cost study will have only an insignificant impact because the costs are only \$0.08 lower than the original cost estimate (OCA p. 5) misses the point. The OCA's analysis does not consider the cost coverage issue. As explained in the CSA's brief dated October 1, 1999, it makes no sense to keep the BPRS cost coverage at system average of 156%. The CSA proposes that the BPRS cost coverage should be 136%, and not 156%.

Conclusion

For the reasons stated herein, the Continuity Shippers Association requests that the Postal Rate Commission maintain the schedule as originally proposed by the CSA.

Dated: October 5, 1999

Respectfully Submitted,



Aaron Horowitz
200 Corporate Woods Parkway
Vernon Hills, IL 60061-3167
(847) 913-3360

Attorney for the Continuity
Shippers Association

CERTIFICATE OF SERVICE

This will certify that the foregoing Reply was served on October 5, 1999, by first class mail, on the following:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking
United States Postal Service
475 L'Enfant Plaza West, S.W.
Washington, DC 20260-1145

Timothy J. May, Esq.
Patton Boggs LLP
2550 M Street, NW
Washington, DC 20037-1350

John M. Burzio
Burzio & McLaughlin
Canal Square, Suite 540
1054 31st Street, N.W.
Washington, DC 20007-4403

Mr. Pierce Myers
Executive Vice President
Parcel Shippers Association
1211 Connecticut Ave, NW
Suite 610
Washington DC 20036

James R. O'Brien
Director, Distribution & Postal Affairs
Time, Inc.
Time & Life Building, 38th Floor
Rockefeller Center
New York, NY 10020-1393

N. Frank Wiggins
Venable, Baetjer, Howard
& Civiletti, LLP
1201 New York Avenue, NW
10th Floor
Washington DC 20005

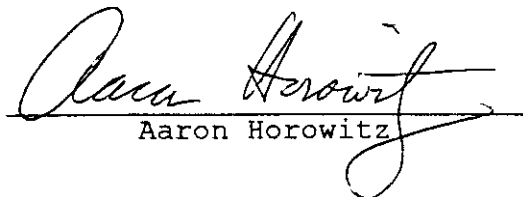
John E. McKeever
Piper & Marbury, L.L.P.
2400 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103-2762

Gene Del Polito
Advertising Mail Marketing
Association
1901 N. Fort Myers Drive
Arlington, VA 22209-1609

Linda Shepherd
United Parcel Service
Corporate Strategy Group
55 Glenlake Parkway, NE
Atlanta, GA 30328-3498

Lawrence G. Buc
Project Performance Corp.
20251 Century Boulevard
Germantown, MD 20874-2645

Dana T. Ackerly, Esq.
Covington & Burling
1201 Pennsylvania Ave, NW
PO Box 7566
Washington, DC 20044-7566


Aaron Horowitz