

UNITED STATES OF AMERICA  
Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Complaint on Charges for the )  
Bulk Parcel Return Service )

Docket No. C99-4

OFFICE OF THE CONSUMER ADVOCATE RESPONSE  
TO UNITED STATES POSTAL SERVICE MOTION  
FOR SUSPENSION OF PROCEEDINGS OR  
CONSOLIDATION OF THIS DOCKET WITH  
DOCKET No. R2000-1  
(January 19, 2000)

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The Office of the Consumer Advocate ("OCA") hereby responds in support of the United States Postal Service ("USPS") motion filed January 12, 2000 for suspension of proceedings or consolidation of this docket with Docket No. R2000-1.<sup>1</sup>

OCA supports the USPS motion on several grounds. First, OCA agrees with the USPS that the omnibus rate case having been filed on January 12, 2000, in Docket No. R2000-1, now insures that moving forward with procedures toward a decision in this docket will cause potential inefficiencies and duplication of effort in having two separate proceedings to determine the estimated costs of BPRS and the appropriate markup of those costs. In Docket No. R2000-1, the Postal Service has proposed a modification of the BPRS rate from \$1.75 to \$1.65 based on a systemwide markup similar to the basis

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<sup>1</sup> The USPS also moved in the same pleading for expedited consideration of its motion and asked that responses be filed no later than January 18, 2000. The Commission, by Order No. 1278, shortened the period for responses to the USPS motion to suspend or consolidate and ordered parties wishing to do

for the markup on which the current BPRS rate was established, and considerably higher than that proposed by the complainant.<sup>2</sup> As the USPS notes, in similar circumstances involving ongoing complaint cases, upon the filing of an omnibus rate case the Commission has either suspended or consolidated complaint cases with the rate case in recognition of the inefficiencies or duplication of effort that would otherwise result.<sup>3</sup>

Also, OCA has previously set forth numerous reasons why it would be inappropriate for the Commission to review the BPRS rates in isolation from other mail services.<sup>4</sup> Rather than reiterate those comments, we incorporate by reference those comments here and note that the USPS motion also commends OCA's discussion to the Commission.

There are several reasons for deferring action on the Continuity Shippers Association ("CSA") complaint pending review in the rate proceeding. Fundamentally, it is not sound rate-making policy to separate out a particular service for review when the cost of other services and their markups are not being considered. As OCA has previously pointed out, "the benefits of a temporary rate change have not traditionally been viewed as outweighing the harm to the Commission's need for consistent, even-

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so to file responses by January 19, 2000. "Order Shortening the Period for Response to Motion to Suspend or Consolidate," January 14, 2000.

<sup>2</sup> See, for instance, proposed testimony of USPS witness Mayo (USPS-T-39) proposing a minor classification change for BPRS and a markup of the test year cost of \$1.13 per piece "with a resulting cost coverage close to, yet below, the systemwide average. A nickel rounding constraint was applied." USPS-T-39 at 15-16. Witness Mayo relies upon costs provided by witness Eggleston (USPS-T-26) at 30-40.

<sup>3</sup> See USPS motion at 1

<sup>4</sup> "Office of the Consumer Advocate Response to Continuity Shippers Association Statement on Proposed Schedule," October 1, 1999.

handed and orderly administration of its rate recommendations...."<sup>5</sup> A change in the BPRS rates pursuant to the complaint while the rate case is pending, particularly without agreement of the other parties and participants, would present a serious conflict with other policies of the Postal Reorganization Act.<sup>6</sup>

An adjustment in the rate might be justified where the "actual cost coverage *differs greatly* from the cost coverage intended when current rates were adopted, due to a mistake in the method used to calculate subclass costs or revenues."<sup>7</sup> But here, there would be little or no benefit as the newly calculated cost coverage is very close to the original coverage. The costs determined by the BPRS cost study, when rolled forward, are similar to those assumed when the rates were initially approved. The Commission originally approved a cost coverage of 156 percent. If costs are assumed to be \$1.09 for the 2000 test year as CSA proposes, the coverage at the current rate is still only 160 percent, virtually the same as that which was initially approved.<sup>8</sup>

The fact that a full cost analysis is now available for BPRS does not necessarily support review of the initial BPRS rate at this time. BPRS was instituted as a new service without benefit of a full rate proceeding and the initial rates were based on

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<sup>5</sup> Id. at 5.

<sup>6</sup> Special Services Fees and Classifications, "Opinion and Recommended Decision," April 2, 1997, Docket No. MC96-3 at 17.

<sup>7</sup> Special Services Fees and Classifications, Docket No. MC96-3, April 2, 1997 at 19. (Emphasis supplied).

<sup>8</sup> CSA proposes, for purposes of the complaint only, to accept the Postal Service's most recent attributable cost calculation of \$1.039 for 1998 for BPRS. CSA rolls this amount forward using the Consumer Price Index-Urban (CPIU) for 1999 and 2000, to reach an attributable cost of \$1.063 for 1999, and \$1.09 for 2000.

estimates.<sup>9</sup> The Commission's order approving the BPRS service and ordering the cost study never indicated the Commission would review the BPRS rates upon the filing of the cost study before the next rate proceeding. In fact, given the need to determine the appropriate markup in the context of other rates, and the Commission's clear preference to determine issues of this nature in an omnibus rate proceeding, it would have been contrary to the Commission's practices to order interim review of the BPRS rate.

Nor is it fair to assume that, because the Commission ordered a BPRS cost study, it intended the BPRS rates to be reviewed before the next rate proceeding. Instead, it is more likely that, in ordering the cost study, the Commission recognized the need for a comprehensive cost study in time for the next omnibus rate proceeding and was concerned that without a specific recommendation for such a cost study, there might not be a sound cost basis to recommend BPRS rates for the future.

Moreover, the issue of the appropriate markup for BPRS cannot be resolved by a simple application of the markups applicable to another service. The interrogatory responses in this proceeding indicate there are distinctions in the service value between BPRS (a special service) and Standard Mail. The responses indicate there are several reasons for maintaining the cost coverage at a level above that of other Standard Mail. The appropriate level can best be determined in the context of reviewing the cost coverages for all similar but not identical classes of service.

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<sup>9</sup> "Opinion and Recommended Decision Approving Revised Stipulation and Agreement," September 4, 1997 at 3.

Finally, and perhaps most significant, BPRS rates in this proceeding would only be temporary and would be effective for a period of no more than, and perhaps significantly less than, ten months. That is, if hearings are held on the issue in the complaint proceeding (and the significant number of interrogatories asked of witness Buc indicate there is likely to be an interest in a hearing to follow-up on his responses), the briefing will move into February and even a Commission decision as early as March 1 would permit the temporary rates to become effective for no more than about ten months.

For all of the above reasons, the Commission should grant the USPS motion to suspend or consolidate the proceedings and determine the issues raised by the complaint case in Docket No. R2000-1.

Respectfully submitted,

OFFICE OF THE CONSUMER ADVOCATE



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# CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

A handwritten signature in cursive script, reading "Stephanie S. Wallace".

Stephanie S. Wallace

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January 19, 2000