

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

OPPOSITION OF UNITED STATES POSTAL SERVICE
TO APMU MOTION TO COMPEL PRODUCTION OF INFORMATION REQUESTED IN
INTERROGATORIES APMU/USPS-T34-33-39, 41-42
TO WITNESS ROBINSON
(April 10, 2000)

The United States Postal Service hereby opposes the motion of the Association of Priority Mail Users, Inc., to compel the production of information of information requested in interrogatories APMU/USPS-T34-33-39, 41-42, filed on March 31, 2000.

Interrogatories 33-36

APMU interrogatories 33 through 36 seek, for each quarter of FY 1999, for Priority Mail that originated and destined within the PMPC network, for Priority Mail that originated and destined outside the PMPC network, for Priority Mail that originated outside the PMPC network and destined within the PMPC network, and for Priority Mail that originated within the PMPC network and destined outside the PMPC network, the percentage meeting service standards, and the source of the data used to compute the percentage. The Postal Service objected to the provision of this detailed, PMPC-specific performance information on the ground of relevance because current and proposed Priority Mail rates are not specific to whether particular mail pieces originate and/or destinate within the PMPC network, and thus PMPC-specific performance figures would add little to the record of this case.

APMU now contends that the main thrust of its questions is service performance, which, it contends, is relevant to the proper institutional cost coverage sought from Priority Mail. Motion at 5. APMU does not provide any convincing reason why aggre-

gate, national Priority Mail service performance figures, already provided by the Postal Service in this case, are not sufficient to evaluate this issue. The fact that witness Kingsley may have tangentially referred to service performance relating to PMPCs is beside the point. To focus on intra- and inter-PMPC performance figures, when national performance figures are available, is unnecessary and irrelevant.

Interrogatories 37, 38, 39 and 42

Interrogatory 37 requests as a library reference a "copy of the Inspector General's report, *Priority Mail Processing Center Network* (September 24, 1999) DA-AR-99-001." A version of this report, with redactions of confidential, commercially sensitive material, was released pursuant to a Freedom of Information Act request. The Postal Service objected to the provision of an unredacted version, on the grounds that the unredacted version would disclose commercially sensitive information.

Interrogatory 38 asks if the Postal Service has negotiated a "final calendar year 1999 network operations adjustment under the Supplemental Letter Agreement between the Postal Service and Emery", and, if so, the amount of additional payment in excess of the original contract rate, indicating separately the amount of the extra payment that arises from (i) increases in volume and (ii) changes in mail mix. The Postal Service objected to the provision of this detailed price information because it would reveal confidential, trade-secret, commercially sensitive business information of the Postal Service and its contractor. However, consistent with its position with respect to provision of the Emery contract, the Postal Service expressed a willingness to provide a response under strict protective conditions.

Interrogatory 39 requests "a detailed explanation why the Postal Service finds it beneficial for the PMPC contractor to pay a (reimbursable) rate to commercial airlines for Priority Mail that exceeds the rate paid under the USPS air system contract." While not conceding the premise of the question, the Postal Service objected to the provision

of this detailed contract price information because it would reveal confidential, trade-secret, commercially sensitive business information of the Postal Service and its contractor. Furthermore, the Postal Service objected that this interrogatory intrudes into managerial prerogatives of the Postal Service that are not subject to Commission review, and requests information that is not relevant to the test-year and base year costs at issue in this proceeding.

Interrogatory 42 requests copies of "any audits or reports on Priority Mail by the Inspector General, other than the Priority Mail Processing Center Network report requested in APMU/USPS-T34-37, including those already released and any that may be released before the record in this Docket is closed." The Postal Service objected to this interrogatory on grounds of relevance, burden, overbreadth, commercial sensitivity and privilege.

With the exception of interrogatory 39, whose sensitivity apparently is conceded, APMU contests that the PMPC-related information sought in each of these questions is commercially sensitive. In light of Presiding Officer's Ruling No. R2000-1/29, however, there can be no doubt of the legitimacy of the Postal Service's concerns that pricing terms and other information relating to the PMPC contract are sensitive and deserving of protection. The Postal Service submits that if any information is ordered to be disclosed pursuant to these interrogatories, it should be disclosed only under strict protective conditions similar to those contained in Ruling 29. Moreover, the Postal Service repeats that it is willing to provide a response to interrogatory 38 under such protective conditions.

APMU also challenges the Postal Service's contention that interrogatories 39 and 42 seek irrelevant information. The Postal Service stands by its objections. With respect to interrogatory 39, regardless of whatever reasoning went into management's decision to structure its contractual relationships with Emery in a particular way, that

reasoning, having been carried out, is a dead issue for purposes of this proceeding. The test year costs projected by the Postal Service reflect the current contractual circumstances, regardless of the reasoning preceding them, and further information regarding how these circumstances originated will not advance the record of this case. Furthermore, it is not the proper role of the Commission to second-guess the managerial prerogatives of postal management in this regard. APMU flatly admits that its questions are intended merely to facilitate speculation about future managerial prerogatives, or criticize past managerial decisions. See APMU Motion at 6. These are not appropriate or adequate bases for inquiry in a Commission proceeding.

With respect to interrogatory 42, it is clear that the request, as originally stated, is far too broad. Perhaps in recognition of this fact, APMU now has narrowed its request to IG reports issued since September 1999. The Postal Service appreciates this effort to focus the request, and, subject to the commercial sensitivity concerns mentioned above, would be willing to respond to the narrowed inquiry under protective conditions.

Interrogatory 41

Interrogatory 41 asks, for Test Year 2001 and an unspecified historical year, the Postal Service to confirm whether the Postal Service could have processed "the same volume" in house "without a network," or failing to confirm, to provide an alternate figure. Assuming that the question refers to all Priority Mail passing through the PMPC network, the Postal Service objected that hypothetical, unrealistic, "parallel universe" costs figures such as those requested are not relevant to the actual and projected costs at issue in this proceeding.

The Postal Service again stands by its objection. APMU contends that this information is "relevant to assessing whether the costs specific to the PMPC Network system are higher, lower or equivalent to in-house processing costs and to predicting whether the Postal Service is likely to extend the PMPC Network contract on the same

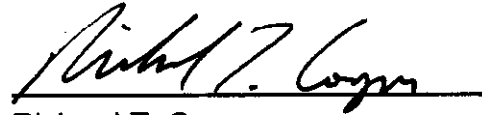
terms." The Postal Service respectfully submits that even if the response to the question might aid in APMU's speculation on the future of the PMPC Network, such speculation is unlikely to benefit the record of this proceeding. It is wholly the prerogative of Postal Service management whether, and under what conditions, the PMPC network may be changed in the future. Unless and until the Postal Service makes a decision in that regard, the information provided by the Postal Service in this case regarding PMPC costs in the test year remains the only necessary and legitimate basis upon which to construct test-year costs, and to facilitate the idle speculation of APMU is not a legitimate grounds for disturbing that cost information.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

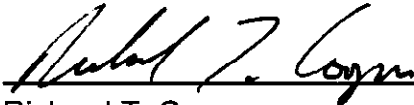


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April 10, 2000

CERTIFICATE OF SERVICE

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


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