

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

EXPERIMENTAL SUSPENSION OF FEE FOR :
MANUAL DELIVERY CONFIRMATION CATEGORY :
:

DOCKET NOS. R2001-2
MC2001-2

RESPONSE OF UNITED PARCEL SERVICE IN
OPPOSITION TO MOTION OF THE
UNITED STATES POSTAL SERVICE FOR WAIVER
OF CERTAIN PROVISIONS OF RULES 54 AND 64
(October 10, 2001)

United Parcel Service ("UPS") hereby opposes the Motion of the United States Postal Service for Waiver of Certain Provisions of Rules 54 and 64 (the "Motion") in this proceeding to the extent the Postal Service requests a waiver of the requirements of Rules 54(b)(3), (i), and (j), on the grounds set forth herein.

In its Motion, the Postal Service asserts that "all of the Rule 54 requirements should be found not to apply." Motion at 3. It then "specifically requests a waiver of Rule 54(b)(3) in part, (d) in part, (f)(2), (f)(3), (h), (i), (j), and (l)(1) in part, and (l)(2)." *Id.* (footnotes omitted). UPS does not oppose the request for a waiver to the extent these rules require the filing of systemwide data. In particular, UPS does not oppose the request for waiver with respect to Rules 54(d), (f)(2), (f)(3), (h), (l)(1), and (l)(2). However, the Postal Service should supply the information requested by Rules 54(b)(3), (i), and (j) with respect to Parcel Post, Priority Mail, and Manual Delivery Confirmation, for the reasons given below.

ARGUMENT

The Postal Service argues that “[n]o change in the terms of or the rates for any mail service, including Priority Mail, is being sought here.” Motion at 2-3. That is just not so. The Postal Service is requesting a drastic reduction of 40 cents -- to zero -- in the fee for Manual Delivery Confirmation service in the case of Priority Mail users. Thus, the basic premise of its waiver argument is wrong.

Even if this were a classification request rather than a proposal for a pure rate change, Rule 64(h) requires compliance with the specified subsections of Rule 54 when there is “a change in the rates or fees for any existing class or subclass of mail *and service*.” 39 C.F.R. § 3001.64(h)(1)(i) (emphasis added). There can be no question that the Postal Service is seeking “a change in the . . . fees for” the Manual Delivery Confirmation service, albeit a change that would be in effect for a limited period of time.

Moreover, when it specifically addresses Rule 54(b)(3) the Postal Service’s focus is too narrow. That section requires “a statement identifying the degree of economic substitutability between the various classes and subclasses, e.g., a description of cross-elasticity of demand as between various classes of mail.” 39 C.F.R. § 3001.54(b)(3). In its discussion of this rule, the Postal Service confines its remarks to substitution between Manual Delivery Confirmation and “other ancillary postal services designed to provide accountability.” Motion at 5. *See also id.* at 5-6. However, its own witness in Docket No. R2001-1 has stated that the availability of Delivery Confirmation “makes Priority Mail a more attractive alternative and, holding other factors constant, would be expected to cause some mailers to shift from Parcel Post to Priority Mail.” Docket No.

R2001-1, Direct Testimony of George S. Tolley on Behalf of the United States Postal Service, USPS-T-7, at 136. The witness goes on to state:

To account for this shift, a delivery confirmation 0-1 variable was included in the Parcel Post equation. Table 15 shows that an 8.30 percent decline in Parcel Post volume is attributed to the introduction of Priority Mail delivery confirmation.

Id.

The attractiveness of Priority Mail compared to Parcel Post will become even greater when the Manual Delivery Confirmation fee is suspended for Priority Mail, but not for Parcel Post. Will those who go to the post office to mail a package as Parcel Post during two of the heaviest mailing weeks of the year switch to Priority Mail when they see that they can get delivery confirmation service for free by doing so? What impact will that have on Parcel Post volumes and revenues? In short, the Postal Service's proposal is likely to affect both Priority Mail and Parcel Post revenues and volumes. The Postal Service should therefore address in this proceeding "the degree of economic substitutability between" Priority Mail and Parcel Post as affected by a discount of 40 cents in the fee for Priority Mail Delivery Confirmation service while the Parcel Post fee remains the same. 39 C.F.R. § 3001.54(b)(3).

Rule 54(i) requires "a statement of the criteria employed in constructing the proposed rate schedule." Subsection (3) specifically requires "information and data relevant to the criteria established by section 3622 of the Act with appropriate explanations as will assist the Commission in determining whether or not the proposed rates or fees are in accordance with such criteria." 39 C.F.R. § 3001.54(i)(3). Even though the Postal Service's proposal is a pure rate change with no classification elements to it, the Postal Service almost totally ignores the ratemaking criteria in

Section 3622(b) of the statute. It certainly does not explicitly discuss those factors as they relate to the proposed zero fee for Manual Delivery Confirmation, or the impact of the fee suspension on the rates for Priority Mail and Parcel Post. It should be required to comply with Rule 54(i)(1) - (3) to that extent.

Finally, Rule 54(j) requires, among other things, information on the volume and revenue consequences of a proposed rate change. As shown above, the proposed fee suspension will, according to the Postal Service's own witness in the general rate case (Docket No. R2001-1), undoubtedly have volume and revenue consequences for Parcel Post as well as for Priority Mail and Manual Delivery Confirmation. The Postal Service should therefore be required to comply with Rule 54(j) by supplying revenue and volume information for Parcel Post as well as for Priority Mail and Manual Delivery Confirmation.

WHEREFORE, United Parcel Service respectfully requests that the Motion of the United States Postal Service for Waiver of Certain Provisions of Rules 54 and 64 be

denied with respect to Rules 54(b)(3), (i), and (j) to the extent those rules require information on Parcel Post, Priority Mail, and Manual Delivery Confirmation.

Respectfully submitted,

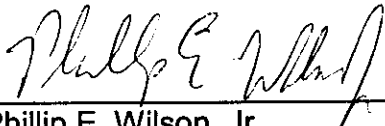


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CERTIFICATE OF SERVICE

I hereby certify that on this date I have caused to be served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Rules of Practice.



Phillip E. Wilson, Jr.

Dated: October 10, 2001
Philadelphia, PA