

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, 1997

Docket No. R97-1

OBJECTION OF THE UNITED STATES POSTAL SERVICE TO  
UNITED PARCEL SERVICE INTERROGATORY UPS/USPS-T21(a)  
(September 2, 1997)

The United States Postal Service hereby objects to United Parcel Service interrogatory UPS/USPS-T21(a), filed on August 22, 1997. The information requested is irrelevant and commercially sensitive.

UPS/USPS-21 states:

Please refer to the response to Interrogatory UPS/USPS-5.

(a) This response states in part that "total advertising cost change factors" (emphasis added) are used in the rollforward model to calculate estimated total advertising costs for FY 1997 and FY 1998. Are the cost change factors based on budgeted or estimated amounts for advertising expenditures for different types or classes of mail, or are they determined independently of any specific estimated or budgeted amounts? If they are based on or include budgeted or estimated amounts, please provide the budgeted or estimated amounts, separately for FY 1997 and for FY 1998, for (i) Priority Mail, (ii) Express Mail, (iii) Parcel Post, and (iv) International Mail.

The requested information is completely irrelevant. The Postal Service historically has treated advertising costs in a consistent manner in the rollforward. Basically, a total estimated dollar amount for advertising expense is included as part of the revenue requirement. That total estimated dollar amount consists of internal projections for what might be spent on advertising. Some of those projections relate to specific classes and subclasses of mail and some do not. That total dollar amount

is then input into the rollforward model and distributed to specific classes and subclasses of mail or to the "other" category based on the distribution of those costs in the base year. The "other" category was for general advertising costs which were not associated with a specific category of mail. The base year distribution was, of course, based on actual, historical spending.

In this case, the distribution of those costs to classes and subclasses of mail does not appear in the presentation of volume variable costs for the interim and test years (the years for which UPS requests the information) because of the Postal Service's incremental cost methodology. Under this methodology, advertising costs in total are treated as "other" rather than as volume variable costs. (For individual subclasses, they are included implicitly as incremental costs via the ratio method used by witness Takis, USPS-T-41.) UPS, however, can see what the advertising costs associated with specific classes and subclasses would have been in the interim and test years, in the absence of the incremental cost methodology, by consulting the alternate cost presentation filed by the Postal Service pursuant to Rule 54(a)(1). See *Library Reference H-215, at Part I, Section 14, page 18 (FY 97); Part II, Section 12, page 18 (TY 98 BR); Part III, Section 12, page 18 (TY 98 AR) (component 1615)*. This information has seemed to suffice in past cases and should suffice here. It is hard to imagine why UPS needs other detail for use in this docket. Internal Postal Service

projections about what might be spent on particular classes and subclasses of mail simply are not relevant.<sup>1</sup>

Moreover, internal advertising budgets related to specific classes and subclasses of mail are commercially sensitive. If a competitor knew, for example, that the Postal Service planned to spend a certain amount of money in 1998 for a particular category of mail, it could alter its own advertising plans to gain an unfair competitive advantage. It is no secret that UPS is a primary competitor of the Postal Service. It is also no secret that UPS zealously shields its own internal cost and budget information from scrutiny in proceedings before the Commission. Its request for this information is significant given that it requests the information only for those categories of mail -- Priority Mail, Express Mail, Parcel Post and International Mail -- where it competes with the Postal Service.<sup>2</sup> The Postal Service should not be required to risk its competitive position by disclosure of this information.

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<sup>1</sup> The request for a further level of detail on International Mail advertising costs also lacks relevance due to the Commission's lack of jurisdiction over International Mail rates and fees.

<sup>2</sup> The Postal Service has shown advertising costs, for example, for third-class mail, bulk rate, carrier route presort in the FY 1996 Cost Segments and Components, yet UPS apparently could care less about those costs.

4

Respectfully submitted,

UNITED STATES POSTAL SERVICE

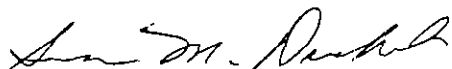
By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
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Susan M. Duchek

### 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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Susan M. Duchek

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