

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

RECEIVED

Nov 13 5 02 PM '01

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

OBJECTION OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF UNITED PARCEL SERVICE
(UPS/USPS-2(a) and (b))
(November 13, 2001)

The United States Postal Service hereby objects to UPS/USPS-2(a) and (b). Those interrogatories request that the Postal Service provide two OIG audits, one concerning the FedEx transportation agreement and one concerning excise taxes and third party ground handling costs under the FedEx transportation agreement. The Postal Service objects to providing the audits because the information contained therein is proprietary and irrelevant.

Both audits contain information that is proprietary, including such items as an estimate of the costs to terminate the Postal Service's dedicated air transportation contracts, and an estimate of third party ground handling costs. Estimates of these items have been included in the rate case. To the extent that the estimates in the audits and those included in the rate case differ, revealing the earlier estimates could have a detrimental impact on ongoing termination for convenience negotiations with the air carriers. In addition, revealing earlier estimates of the potential cost for third party ground handlers, to the extent those estimates differ from the contracts actually awarded could have an adverse effect on performance under those contracts and on the integrity of the bidding or

negotiation process for similar, future contracts. Also, one of the audits discusses the percentage of volume under the contract that will be handled by third party ground handlers. This information obviously could be used against the Postal Service by competing bidders for ground handling contracts, as well as by Postal Service competitors attempting to gain insight into volume flows.

Moreover, the information requested is irrelevant. Most of the recommendations from the audits have been followed by Postal Service management. Some of the savings figures associated with the FedEx contract were adjusted downward in response to the audits. Over this same period of time, other adjustments were made as a result of continuing discussions with the OIG following the audits and as a result of more recent information becoming available. These adjustments caused cost savings estimates to both increase and decrease. The savings estimates that have been incorporated into the rate case reflect both the changes coming out of the OIG process as well as the more recent information that became available. Thus, the audit reports are unnecessary for an examination of the cost impact of the FedEx transportation agreement, as they do not fully reflect the final cost savings estimates and the best available information. The pertinent cost information is already included in the case.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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.



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990; Fax -5402
November 13, 2001