Postal Rate Commission
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

EXPERIMENTAL PRIORITY MAIL FLAT-RATE BOX, 2004	Docket No. MC2004-2

OPPOSITION OF THE UNITED STATES POSTAL SERVICE
TO DOUGLAS F. CARLSON MOTION TO COMPEL
RESPONSE TO INTERROGATORIES DFC/USPS-1, 2 AND 4
(July 22, 2004)

On June 21, 2004, Douglas F. Carlson filed interrogatories DFC/USPS-1, 2 and 4. On July 1, 2004, the Postal Service filed objections to all three interrogatories. On July 15, 2004, Mr. Carlson filed a motion to compel responses. The Postal Service hereby respectfully opposes Mr. Carlson's motion.

The interrogatories in question are as follows:

DFC/USPS-1. Please provide the percentage reduction in weekly retail window-service hours nationwide since January 1, 2000.

DFC/USPS-2. Please provide the number of postal facilities that have parcel chutes or other collection receptacles that will allow customers to deposit either of the proposed Priority Mail flat-rate boxes.

DFC/USPS-4. For FY2003, please provide the total number of shipping labels printed with postage and the total number of shipping labels printed without postage at *www.usps.com* for each combination of Priority Mail zone and weight increment.

The Postal Service objected to these questions on the ground of relevance. Since the proposal to establish an experimental Priority Mail flat-rate

box rate does not involve any underlying cost analysis, but is based on a conceptually simple derivation from the existing Priority Mail rate schedule, with the judgmental application of a premium designed to reflect added value and risk of revenue leakage, the relation of the questions to the Postal Service's proposal is tenuous, at best.

In his motion to compel, Mr. Carlson argues that his questions are relevant to an investigation of the value premium incorporated in the proposed flat rate. Unfortunately, examination of Mr. Carlson's argument reveals that it is premised on fundamental misconceptions of the nature of the Postal Service's proposal and the nature of an experimental filing.

The fundamental premise underlying Mr. Carlson's questions is that potential customers of the flat-rate box probably will not derive much value from the flat-rate because, he argues, customers will need to go to the post office, when it is open, in order to enter flat-rate parcels. Mr. Carlson bases this argument on testimony that the flat-rate parcels will not fit into collection boxes. From this testimony, he leaps to the conclusion that to take advantage of the Postal Service's proposed service, flat-rate box users will have to travel to the post office, where scales are located, allegedly causing any savings in time and convenience to evaporate. Motion at 1. He also asserts that the added value of the flat rate box will accrue mainly to customers who print postage online. Id. at 2.

These assertions are illogical and ignore the information presented by the Postal Service in support of its proposal. As the Postal Service's testimony and

interrogatory responses make clear, there are a variety of ways that customers will be able to use the service without going to the window or a mail chute. Among these is the option of simply leaving the parcel for pickup by a carrier. Mr. Carlson attempts to discount this possibility by alleging that customers spend so much time at work that they will not be able to give their flat-rate boxes to the carrier. Id. But this is simply another unfounded premise. First, it incorrectly assumes that customers must hand parcels to the carrier in person, rather than leave the parcel at the delivery point for collection. Second, it assumes that few customers will be able to present flat-rate boxes for collection at their work sites, another dubious assertion.

The questionable premises do not end there. In arguing the supposed relevance of his inquiry about reductions in window service hours (Interrogatory 1), the following chain of suppositions is offered:

> *If* the Postal Service provides documents quantifying the value of existing flat-rate products, and *if* these documents were produced prior to January 1, 2000, a reduction in weekly retail window-service hours would reduce the value of a flat-rate box somewhat proportionately because customers would have fewer hours in the week during which to enter the flat-rate box into the mail stream. A reduction in window service hours cannot be ignored in evaluating previous window-service hours has been a significant trend around the country, and this reduction cannot be ignored in evaluating previous Postal Service assessments of the value of flat-rate products.

Motion at 3 (emphasis added). The imaginative, unsubstantiated nature of this purported demonstration of relevance is patent. The Postal Service has *not* based its proposal on any reduction of window service hours, or any assessments of the value of pre-existing flat-rate products, produced prior to January 1, 2000 or otherwise. The Postal Service has *not* provided any

"previous assessments of the value of flat-rate products" to be evaluated. Moreover, the Postal Service has determined that no such assessments exist. It is clear that no evidentiary or logical foundation for interrogatory 1 has been provided, and the Postal Service's objection should be upheld.

The basis for interrogatory 2 is equally infirm. The number of postal facilities that have parcel chutes or other collection receptacles that will allow for deposit of the proposed flat-rate boxes would only be related to a diminution of perceived value for the flat-rate box if such receptacles were the only means of avoiding a wait in line at the window, as assumed by Mr. Carlson. As has been shown above, however, it is not the only such means. Even if it were shown that few parcel chutes or other receptacles existed, this would shed no light on the actual added value of the flat rate box. There would still be compelling reasons to allow the proposed experiment to proceed as proposed by the Postal Service, and thereby further assess the added value to mailers.

Finally, the request for the total number of shipping labels printed with postage and the total number of shipping labels printed without postage at *www.usps.com* for each combination of Priority Mail zone and weight increment (Interrogatory 4) also lacks a foundation demonstrating its relevance to the issues before the Commission. The only basis provided is the claim that the information is needed to evaluate the potential value of the flat-rate box "because these customers are the ones most likely to benefit from a flat-rate box." This bold assertion not only lacks an evidentiary basis, but ignores the fact that potential customers will be able to use currently existing postage stamps, meter

strips, pc postage, and other means to affix postage. All such customers "may not have scales to weigh and rate parcels" and "can deposit their mail in parcel chutes," (Id. at 4) but what has this to do with actual value? Inquiries into the percentages of postage indicia used in the past for Priority Mail as a whole will tell us nothing about the actual added value of the proposed flat-rate boxes. Even if only the smallest percentage of Priority Mail users currently print labels with postage, this would tell us nothing about potential use of the web site in the future to facilitate use of the proposed boxes. Furthermore, even if we could learn something about potential use of the web site to facilitate use of the box, this would not tell us what we would need to know about the potential added value of the box, which can be facilitated by many means of paying postage.

The only issue of consequence is, of those potential customers for whom the proposed box offers added value, will they perceive enough value to use it, with whatever postage method they find most advantageous? Whether they choose to use the web site in conjunction with the boxes is beside the point. The only information likely to be pertinent to the actual added value of the boxes will come from experimenting with the boxes and observing mailer response.

There is also no need to provide the requested information "for each combination of Priority Mail zone and weight increment," and no rationale is provided in the Motion for such disaggregation. To provide such detailed information would, in fact, disclose commercially-sensitive aspects of the Postal Service's Priority Mail volume by revealing indicators of the type of customer using Priority Mail in the disaggregated elements. Mr. Carlson makes light of this

concern, suggesting that protective conditions will alleviate all potential damage. However, when no compelling, or even non-compelling need for the information has been demonstrated, the balance of potential harm versus need strongly favors non-disclosure.

In support of all of his requests, Mr. Carlson makes much of the assertion that “significant questions exist about the value to customers of a Priority Mail flat-rate box,” alleging that uncertainty about the precise value is “ominous.” Motion at 1, 2. The Postal Service does not dispute that, lacking dispositive information on this point, a judgmental assessment was made regarding the premium to reflect added value to the customer and other factors. Far from being “ominous”, recognition of the need for more insight into added value simply supports the Postal Service’s decision to file the proposal under the Commission’s experimental rules. The mailing public’s reaction to the proposed flat rate, if recommended by the Commission, can be expected to shed light on how well the proposed rate reflects the additional value. The current lack of information regarding the extent of the added value, however, does not justify fanciful and expansive probing into operational issues that do not have a logical bearing on the proposal.

The Postal Service is not concerned about legitimate inquiries related to the merits of its proposed experiment, but is concerned that this case, which has a significant chance of reaching settlement, should not be unduly prolonged because of unfocussed or misdirected discovery. For this reason, the Postal Service has selectively objected to certain interrogatories, such as those now at

issue. Nevertheless, the Postal Service, through settlement discussions and otherwise, will try to resolve discovery disputes without provoking further motions practice. In the meantime, the Postal Service urges the Presiding Officer to aid in the orderly progress of the case by requiring that interrogatories have an adequate evidentiary foundation, and relate sufficiently to the Postal Service's proposal. The present interrogatories do not, and the motion to compel should be denied.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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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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