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 MOTION OF THE OFFICE OF THE CONSUMER ADVOCATE
TO COMPEL RESPONSES TO OCA/USPS-T2-14-20
(July 27, 2004)

On June 22, 2004, the Office of the Consumer Advocate filed interrogatories OCA/USPS-T2-8-20. On July 6, 2004, the Postal Service objected to these interrogatories, but, over objection, voluntarily decided to respond to interrogatories 8 through 13. The Postal Service declined to similarly respond to interrogatories 14 through 20, which concern city carrier pickup services for Priority Mail and other classes of mail, including operational details of carrier collection activities and the relative costs of such activities. On July 20, 2004, the OCA moved to compel responses. The Postal Service hereby opposes the motion.

The motion to compel, like others before it in this docket, offers the Presiding Officer an opportunity to place some needed limitations on the copious, and far-ranging discovery that has occurred in this proceeding despite assurances at the prehearing conference that no hearing is necessary, and that discovery was expected to be very

limited. The Postal Service contends that reasonable limitations must be placed on the scope of discovery in this case if the proposed new Priority Mail option, which would offer potential benefits to the mailing public without impinging on any existing service or rate, is to be implemented in an expeditious manner, in time to be made available during the upcoming holiday mailing season.

The Postal Service's proposal in this docket is extraordinarily limited in scope. What is sought is to add a single new category to the Priority Mail subclass, without affecting any existing categories. For this category, a single new rate is proposed. The new rate, meanwhile, is not derived from an examination of Priority Mail costs, but, rather, is interpolated from the existing Priority Mail rate schedule, based on newly - available information on the size and density of Priority Mail parcels. Together with this interpolation, a careful assessment of risk and potential added value produced the rate sought by the Postal Service. By using this approach, a new rate category can be introduced on a basis consistent with the rates currently in effect, while at the same time guarding against potential risks.

This approach also gives recognition to the fact that much is not known about how the mailing public will react to the proposed classification and rate. The proposal is for an *experimental* rate *category*. Even with respect to permanent classifications, ratemaking (including related costing analysis) is not done with exacting scrutiny at the rate category level. A certain amount of averaging within subclasses is not only tolerated, but is necessary. It is *not* necessary or productive to examine, in minute

detail, for the mail within each rate cell, the impact on specific postal operations such as mail entry or, even more specifically, carrier collection.

The need for such exacting scrutiny is even less justified in the case of a limited experiment such as that now proposed. Experimental classifications should not be expected to meet the more demanding scrutiny applied to permanent classifications, for the simple reason that, even if recommended and implemented, the experiment is intrinsically of limited duration, and will have to be further justified if permanence is sought.

It is against this background that the motion to compel must be evaluated.

Interrogatories 14 through 17

Interrogatories 14 through 17 do not pertain specifically to the proposed flat-rate box, or, in some cases, to any specific type of mail. Instead, they request information regarding the specific activities undertaken by carriers at a “regular delivery stop” from a mounted curbside route (Interrogatory 14); the specific carrier activities initiated by utilization of the Postal Service’s new web notification interface for carrier collection at curbside delivery stops (Interrogatory 15); typical delivery methods relating to clusterboxes at a “regular delivery stop” (Interrogatory 16); and specific carrier activities potentially initiated by utilization of the web notification interface to request a “free Carrier Pickup service” at cluster box delivery points (Interrogatory 17).

As the Postal Service has noted in its objections to inquiries relating to the web interface, carrier collection generally, and free carrier pickup, there is nothing about the proposed flat-rate box that would distinguish it from many other types of mail with

respect to carrier collection activities, including the recently-promoted web interface. Users of the flat-rate boxes will not have enhanced or different access to the web interface, nor will access of current Priority Mail and Express Mail customers to that interface be affected in any way by the introduction of the proposed new rate category. In short, this case is not about carrier collection of parcels or web-based notification of carrier-collected parcels.

The OCA seeks to controvert this simple fact by introducing speculation about the impact that the new type of Priority Mail might have on carrier activities. According to the OCA, it is possible that users of this proposed service might become so numerous, and might be such intensive users of the web interface, that they might have a significant impact on carrier collection activities, and might impose more carrier costs on the system than other types of mail. Presumably, the OCA would have the Commission cost and rate each category of Priority Mail according to its differing entry costs. See Motion to Compel at 2-4. At the very least, the OCA appears to seek to impose (as yet unspecified) data collection burdens on the proposed experiment that would enable a study of carrier collection costs for various types of Priority Mail, for use in some future proceeding, presumably to price some types of Priority Mail higher than other types, based on their allegedly higher costs of entry into the mailstream. Id. at 6.

Even if there were something to the OCA's speculation, which the Postal Service does not concede, it is apparent that the scope of the OCA's inquiry far transcends the appropriate boundaries of this proceeding. The alleged causes of potential increased carrier collection costs that concern the OCA, such as recent availability of the

convenient web interface for pickup notifications, would apply to many types of mail, including Express Mail and weight-and-zone rated Priority Mail, as well as the existing Priority Mail Flat-Rate envelope. To impose extensive data collection and cost analysis requirements on the proposed experimental flat-rate box based on these much broader concerns would be unfair, illogical, and unproductive. To allow wide-ranging discovery into such matters in this case would be equally problematic.

It should also be borne in mind, when assessing the OCA's costing concerns, that in order to assess the impact of a particular category of mail on a specific cost segment, or activities within that cost segment, a baseline study would be needed to compare the "before" costs to the "after" costs. The cost comparisons to which the OCA's questions are directed, and upon which their supposed relevance rests, ultimately will be difficult to obtain without access to such baseline costs. Unfortunately, however, no such baseline exists. Moreover, the OCA presumes that after the introduction of the proposed flat-rate boxes, they will be so numerous, so present in day-to-day postal operations that they will be easily located for study. As the Postal Service has experienced with respect to small-volume categories of mail, it is sometimes very difficult to study the costs of such categories, and very expensive. The OCA's inquiry, therefore, not only goes beyond the appropriate bounds of the proceeding, but may be in pursuit of the practically unattainable.

Interrogatories 18 through 20

Interrogatories 18 through 20, although taking a somewhat different approach, are based on the same inadequate foundation. Questions 18 and 19 seek confirmation of “primary channels” for entering both single-piece flat-rate boxes and single-piece weight-and-zone-rated Priority Mail into the mailstream. Interrogatory 20 then goes on to invite speculation from the witness concerning the relative costliness of the varying entry methods between the two types of Priority Mail.

Because the same variety of entry methods exists for types of mail other than Priority Mail, it is clear that any examination of entry-based cost-differentials is not an issue that arises from the Postal Service’s proposal, but is a much larger concern involving all mail classes. The Postal Service has not proposed specific or different entry requirements for the proposed flat-rate boxes, but would allow the boxes to be entered in the same manner as all Priority Mail parcels. To focus on entry-based costing issues in the context of this limited experimental proposal simply does not make sense, and would only delay implementation of a potentially beneficial classification which the OCA says it does not oppose. Furthermore, given the lack of detailed cost information concerning such matters, it is unlikely that responses to these questions, if provided, would in any way add to the record of this case.

For the foregoing reasons, 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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