

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

REVIEW OF TREASURY REPORT

Docket No. PI2008-2

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
IN RESPONSE TO ORDER NO. 56 AND THE TREASURY REPORT
(May 1, 2008)

On January 28, 2008, the Commission issued Order No. 56, initiating this docket and soliciting comments on the report submitted to the Commission by the Department of the Treasury on December 19, 2007. The Treasury Report contains recommendations regarding the Competitive Products Fund created by the Postal Accountability and Enhancement Act (PAEA), and related topics regarding the transition to the new regulatory environment. Pursuant to Order No. 56, the Postal Service filed initial comments on April 1, 2008. Five other sets of initial comments were also filed on that date, by Parcel Shippers Association (PSA), Pitney Bowes, the Public Representative, UPS, and Valpak. The Postal Service hereby files its reply comments.

Given that reply comments are typically focused on responding to views presented in the initial comments of other parties with which a party disagrees, there is actually not much for the Postal Service to discuss in this filing. The comments of the other parties are generally brief, and, in large measure, all of the initial comments take broadly consistent positions. Like the comments of the Postal Service, the other five comments all express some level of support for the Treasury recommendations, and none express any material disagreement with those recommendations.

Most importantly, all parties addressing the matter agree with Treasury that efforts to require physical separation of independent market dominant and competitive enterprises would not be productive, and that creation of an “on paper only” analytic construct is the only viable approach. See PSA Comments at 3, 12-15; Pitney Bowes Comments at 3-4; Public Representative Comments at 5-6; Valpak Comments at 3-4. Furthermore, all parties appear to agree that the existing cost and revenue systems provide an appropriate foundation on which to build any necessary Competitive Products Fund reporting, and that substantial revisions of these systems are not necessary for this purpose. See PSA Comments at 3, 5-7; Pitney Bowes Comments at 2-3; Public Representative Comments at 6-7; Valpak Comments at 5-6; UPS Comments at 1-2. Likewise, none disagree with Treasury’s recommendation that a simplified approach to calculation of any assumed income tax is appropriate. See Pitney Bowes Comments at 8-9; Public Representative Comments at 7, 11; Valpak Comments at 8-9; UPS Comments at 4.

Not surprisingly, several of the initial comments express hope that the underlying data systems can be improved. For example, UPS cites a previously-filed list of cost segments which it believes would benefit from future analysis. UPS Comments at 1-2. Valpak mentions the potential need for increases in the resources devoted to postal costing and data systems, in order to minimize sampling and modeling variations. Valpak Comments at 6-7. The Postal Service, however, sees no immediate need to respond to such comments (none of which offer any great specificity anyway), because the matters they address are not integral to Competitive Products Fund reporting, *per se*, but rather relate to broader costing issues. As such, progress in those areas –

which the Postal Service agrees, if feasible, could be beneficial – is more likely to flow from proceedings other than this one, with its more narrow focus on the necessary components of Competitive Products Fund reporting.

Substantial portions of the Postal Service's initial comments were devoted to fleshing out a Competitive Products Fund reporting process, consistent with the broad outline presented in the Treasury Report. See Postal Service Initial Comments at 2-19. Naturally, the other parties did not yet know the details of the Postal Service's proposed approach, and therefore did not discuss them in their initial comments. They will, of course, have the opportunity to react in their reply comments. On the surface, however, there seem to be no major positions taken in the initial comments of other parties that could not be accommodated within the approach suggested by the Postal Service. Therefore, the Postal Service once again respectfully requests that, in developing proposed regulations, the Commission adopt the Competitive Products Fund

procedures suggested in the Postal Service's initial comments as the primary framework for those regulations.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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