

BEFORE THE  
POSTAL REGULATORY COMMISSION

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MODIFICATION OF COSTING METHODS 2008 --	:	DOCKET NO. RM2008-6
POSTAL SERVICE PROPOSALS	:	
TEN AND ELEVEN	:	

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COMMENTS OF UNITED PARCEL SERVICE ON  
NOTICE OF PROPOSED RULEMAKING ON  
COSTING METHODS USED IN PERIODIC REPORTING  
(PROPOSALS TEN AND ELEVEN)  
(September 26, 2008)

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Pursuant to the Commission's Order No. 108 (September 18, 2008), United Parcel Service ("UPS") hereby comments on the Postal Service's proposal number 10, a proposed change to the development of Parcel Post costs.

**UPS Supports the Postal Service's Effort to Develop  
Separate Costs for Market-Dominant Single-Piece Parcel Post  
and Competitive Bulk Parcel Post.**

In dividing the Postal Service's products into two separate "market-dominant" products and "competitive" products groups, PAEA split the former Parcel Post subclass between the two. 39 U.S.C. §§ 3621(a)(5) and 3631(a)(3). Single-Piece Parcel Post is a market-dominant product, and the two Bulk Parcel Post products as defined by the Commission, Parcel Select and Parcel Return Service, are competitive. Id.; Docket No.

RM2007-1, Order No. 43 (October 29, 2007) at ¶¶ 3059-61 (Bulk Parcel Post consists of two products, Parcel Select and Parcel Return Service).

PAEA subjects each group to different regulatory requirements. See, e.g., 39 U.S.C. §§ 2011, 3622, and 3633. Central to PAEA are its requirements that market-dominant products do not subsidize competitive products, that each competitive product covers its own attributable costs, and that competitive products as a whole contribute a certain minimum share to the Postal Service's total institutional costs. See 39 U.S.C. § 3633(a). As a result, the Postal Service must now be able to track the costs of Parcel Select and Parcel Return Service separately from those of Single-Piece Parcel Post.

The Postal Service has proposed to develop for the first time separate cost estimates for Single-Piece Parcel Post, Parcel Select, and Parcel Return Service. See Order No. 108 at 2-3. Although the specifics of the proposal have not been provided, the Postal Service states that it will use data obtained from the In-Office Cost System (IOCS), the Carrier Cost Systems (CCS), and the Transportation Cost System (TRACS) to identify the individual Parcel Post products. Id. It appears that the Postal Service is taking steps to implement this effort. See 73 Fed. Reg. 54,712 (September 23, 2008) (Postal Service final rule imposing new marking requirements for Parcel Select).

UPS supports the Postal Service's effort to develop separate cost estimates for each Parcel Post product as required by PAEA. Reliable cost estimates at the product level are critical to ensuring compliance with PAEA's hallmark requirements that market-dominant products do not subsidize competitive products and that each competitive product covers its attributable costs. We urge the Commission to carefully supervise

the development of these costs to ensure that the data collection and analyses are correctly performed and that the resulting estimates are reliable.

Respectfully submitted,

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