

BEFORE THE
POSTAL REGULATORY COMMISSION

PERIODIC REPORTING RULES

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DOCKET NO. RM2008-4

REPLY COMMENTS OF UNITED PARCEL SERVICE
ON NOTICE OF PROPOSED RULEMAKING PRESCRIBING
FORM AND CONTENT OF PERIODIC REPORTS
(November 14, 2008)

Pursuant to Commission Order No. 104 (August 22, 2008), United Parcel Service hereby replies to certain parties' comments on the proposed rules prescribing the form and content of the Postal Service's periodic reports.

I. The Cost Information in the Annual Compliance Report Should Include the Same Amount of Detail That Has Been Provided in Postal Service Requests for Recommended Decisions on Rate Changes Under the Postal Reorganization Act.

In its initial comments, Valpak suggests that the Postal Service's Annual Compliance Report should contain at least as much detail as Postal Service requests under (former) Commission Rule 3001.54 for recommended decisions on rate changes under the Postal Reorganization Act (the "PRA"). Valpak Comments (October 16, 2008) at, *e.g.*, 41-42. Otherwise, Valpak notes, the periodic reporting rules would not achieve PAEA's goal of increased transparency. *Id.* at 42. UPS agrees that the Annual

Compliance Report should contain the same cost information as has long been provided under (former) Rule 3001.54.¹

Under the PRA, public transparency into the basis for postal rates was achieved primarily through the Commission's public proceedings governing Postal Service requests for recommended decisions on proposed rate changes. In those requests, the Postal Service routinely filed the information required by (former) Rule 3001.54 and provided additional supporting information in response to interested parties' discovery requests. Under PAEA, the Annual Compliance Report process is "[p]erhaps the most important tool[] provided . . . for achieving the transparency on which the new statutory scheme relies" Order No. 104 at 2. Because Congress intended PAEA to "guarantee[] a *higher degree of transparency*" than that which existed under the PRA, see S. Rep. No. 108-318, at 1 (2004) (emphasis added), the Annual Compliance Report should provide at least as much cost transparency as did the ratemaking process under the PRA.²

While, unlike PRA rate proceedings, the Postal Service's Annual Compliance Report is filed every year, much (if not most) of the cost information contained in PRA rate filings is routinely collected and, presumably, analyzed by the Postal Service in formulating rate changes under PAEA. That is especially so with respect to competitive products, since the rates for each competitive product must still be based on the costs attributable to each of those products. See 39 U.S.C. § 3633(a)(2). Thus, filing the

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1. "Test Year" forecasts are no longer applicable and need not be reported.
 2. The same may be true for other periodic reports that contain non-cost information. See Order No. 104 at 22.

same costing information as was filed in a PRA rate request should not impose an undue burden on the Postal Service.

Unless the Commission continues to require at least the same amount of cost information at the same level of detail as it did when rates were to be changed under the PRA, PAEA's mandate will not be met. As a result, we urge the Commission to avoid adopting any measures that will reduce public transparency into the basis for postal rates.

II. UPS Supports the Public Representative's Suggestion that the Postal Service Provide a Once-A-Year Projection of Current Year Costs, Volumes, and Revenues.

In its initial comments, the Public Representative suggests that the Commission require the Postal Service to provide a projection of current year costs, volumes, and revenues when it files its Annual Compliance Report. Public Representative Comments (October 16, 2008) at 3-6. Under that proposal, the projections would presume that current rates would stay in effect for the entire year, and the Postal Service would not be required to revise its forecasts should conditions change or data or analyses improve. *Id.* at 6.

UPS agrees. As the Public Representative notes, *id.* at 4-5, current year estimates would better allow the Commission and interested parties to evaluate the compliance of competitive postal rates with Section 3633(a) in the current year. Because PAEA requires the Commission to ensure compliance on a current basis, the Commission and interested parties should have available the best estimates of current year costs and revenues. See Order No. 104 at 7 ("Under the PAEA, the need for the Commission to stay abreast of [. . . cost, volume, and revenue trends, . . .] is even

greater.”). As the Public Representative notes, Public Representative Comments at 5, this should not burden the Postal Service because it already prepares current year projections for budgetary and planning processes.

We are not suggesting that the Commission require anything similar to the future Test Year forecasts formerly filed in PRA rate cases. No detailed “roll forward” to a future year with extensive supporting information would be required. Instead, the Postal Service should simply provide reasonable once-a-year estimates of current year costs, volumes, and revenues, reflecting current conditions.

Respectfully submitted,

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