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2009 FEB -6 P 4: 06



POSTAL REGULATORY  
COMMISSION  
OFFICE OF THE SECRETARY

February 6, 2009

Hon. Steven W. Williams, Secretary  
Postal Regulatory Commission  
901 New York Avenue NW, Suite 200  
Washington, D.C. 20268-0001

Dear Mr. Williams:

In preparing the Annual Compliance Report (ACR) for FY 2008, filed at the end of December, 2008, the Postal Service omitted portions of certain types of cost models (regarding competitive product costs below the product level) that had been filed last year with the FY 2007 ACR. Last year, the models jointly analyzed market dominant and competitive products in ways that were impossible to separate. This year, the models were separated into market dominant and competitive portions, and the competitive models were omitted from this year's ACR because they were not required in order to conduct compliance review of the FY08 competitive products. Specifically, because there were no domestic competitive product NSAs in effect during FY08, and also because the worksharing provisions of the statute apply only to market dominant products, competitive product information below the product level was not necessary this year to evaluate compliance with the relevant provisions of the PAEA. See FY08 ACR (Dec. 29, 2008) at 61-66.

Nonetheless, the Postal Service believes that, going forward, it will be useful for the Commission to have FY08 versions of these models. In particular, any new competitive product NSAs negotiated this year would need to rely on FY08 data, and the updated models would also constitute the natural benchmark for any proposed methodology changes that may need to be considered for these types of analyses. The Commission likewise has expressed interest in updated models of this sort. Order No. 156 (December 23, 2008) at 3. Therefore, the Postal Service is providing the enclosed four sets of nonpublic materials, each of which relates to a specific type of competitive product information below the product level.

In anticipation that it would be providing similar models with its ACRs in years to come, the Postal Service reserved numbers for these materials in its list of FY08 ACR materials. Therefore, although these materials are not submitted as part of the FY08 ACR, for ease of reference, they are referred to using designations

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comparable to the reserved spots on the FY08 ACR list. The materials are thus labeled as:

USPS-FY08-NP15 FY 2008 Special Cost Studies Workpapers - Parcels  
Cost Models (Nonpublic Portion)

USPS-FY08-NP16 FY 2008 Special Cost Studies Workpapers - Bound  
Printed Matter and Parcel Post Transportation Costs /  
Bulk Parcel Return Service Cost Study (Nonpublic  
Portion)

USPS-FY08-NP17 FY 2008 Special Cost Studies Workpapers - Parcel Post  
Regression Analysis (Nonpublic Portion)

USPS-FY08-NP20 FY 2008 Mail Processing Costs by Shape (Nonpublic  
Portion)

Each of these models is developed using the established methodology. They differ from the FY07 versions only in that, as with the Single-Piece Parcel Post Model changes reviewed in Docket No. RM2009-2 as Proposal Thirteen, they are based on a segregated approach to building costs for the former components of the Parcel Post subclass. As indicated above, Order No. 156 (Dec. 23, 2008), which approved Proposal Thirteen, expressed interest in comparable segregated and updated models for Parcel Select and Parcel Return Service. The enclosed materials are thus responsive to that portion of Order No. 156. Each item contains a hardcopy preface which explains the methodology employed in greater detail.

Each set of materials includes a CD-ROM, and is enclosed in a blue folder, which is the Postal Service's routine practice for nonpublic material relating to competitive products. In general, the Postal Service maintains its position that materials relating to Competitive categories of mail are internal documents of a commercially sensitive nature that under good business practices should not be disclosed publicly, and thus would be exempt from public disclosure pursuant to 5 U.S.C. § 552(b)(3) and 39 U.S.C. § 410(c)(2). Accordingly, the Postal Service requests that the Commission withhold all of the enclosed materials from public disclosure. 39 U.S.C. § 504(g).

If you have any questions or concerns about the Postal Service's position on disclosure of any information provided today or subsequently, please contact me. As in the past, the Postal Service expects that any FOIA request for the records and information provided at this time will entail consultation between the Postal Service and the Commission, before any records are made publicly available. This approach accords with Department of Justice guidance and with our understanding

of the Commission's current policy regarding such requests, which I described in my letter to you dated March 15, 2002.

Sincerely,

A handwritten signature in cursive script that reads "R. Andrew German". The signature is written in black ink and has a long, horizontal flourish extending to the right.

R. Andrew German

Enclosures