

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

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**Rate Adjustment Due to Extraordinary  
Or Exceptional Circumstances**

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**Docket No. R2010-4**

**REPLY COMMENTS OF QVC, INC.**

QVC, Inc. (QVC) respectfully submits these reply comments pursuant to Commission Order 485, Notice and Order Concerning Rate Adjustment for Extraordinary or Exceptional Circumstances, issued July 8, 2010. These comments respond to the numerous comments filed by individual mailers and industry trade associations regarding the lasting, negative impacts the proposed pricing increases will have on these mailers, their customers, and the Postal Service itself. Nowhere are the concerns regarding the adverse consequences of the proposed pricing increases more pronounced than in the case of Standard Mail parcels where the Postal Service proposes to increase prices by an average of 23 percent.

QVC, Inc., a wholly owned subsidiary of Liberty Media Corporation attributed to the Liberty Interactive Group (Nasdaq: LINTA), is one of the largest multimedia retailers in the world. QVC is committed to providing its customers with thousands of the most innovative and contemporary beauty, fashion, jewelry and home products. Its programming is distributed to more than 180 million homes worldwide. The company's website, QVC.com, is ranked among the top general merchant Internet sites. QVC has shipped more than a billion packages in the United States in its 24 year history. QVC is a heavy user of Standard Mail parcels.

QVC recognizes the difficult financial challenges facing the Postal Service, but the prices proposed for Standard Mail parcels are unjustified and ultimately self-defeating. Accordingly, QVC urges the Commission to reject the proposed pricing increases for Standard Mail parcels.

Under the PAEA the Commission is charged with determining whether the prices proposed in connection with an exigent request are “reasonable and equitable.” 39 U.S.C. § 3622(d)(1)(E).<sup>1</sup> The proposed prices for Standard Mail parcels are excessive and unfair.

The proposed prices for Standard Mail parcels cannot be justified in comparison to the price increases proposed for other products. The price increases proposed for all other products fall within a 4 to 8 percent range. Pricing increases proposed for other products considered “below water” were set at a fraction of the increases proposed for Standard Mail parcels. And while rates for Standard Mail flats and Periodicals were tempered by “rate shock” concerns, Standard Mail parcels were denied similar consideration. This is inequitable.

The proposed average increase of 23 percent for Standard Mail parcels is also unreasonable in absolute terms. This is especially true in view of the fact that Standard Mail parcels have experienced double-digit increases in each of the past three pricing increases. An average pricing increase of 23 percent means some Standard Mail parcel shippers will be hit with much larger increases – in certain cases the proposed increase approaches 80 percent. This is unreasonable.

The excessive price increases proposed for Standard Mail parcels will significantly impact QVC, our customers, and our use of the mail. Assuming no change in QVC’s current product mix, the proposed pricing increases for Standard Mail parcels are projected to increase

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<sup>1</sup> For the reasons discussed in the Initial Comments of the Parcel Shippers Association (PSA), the prices proposed for Standard Mail parcels also fail to satisfy the other relevant statutory factors and objectives that the Commission must consider. *See* PSA Comments at 20-21.

QVC's postage costs by millions of dollars annually. Typically, QVC tries to absorb much or all of the increase in postage costs to minimize shipping and handling costs. But this sudden, unexpected double-digit increase, following on the heels of recent, successive double-digit increases may prove too much. If QVC is forced to absorb the additional costs it will reduce profitability and render certain product initiatives uneconomic. If QVC passes through the costs to its customers it will negatively impact sales.

The potential adverse consequences are not limited to QVC and its customers. The proposed pricing increases for Standard Mail parcels are economically self-defeating for the Postal Service. Reduced sales means a decline in parcel fulfillment volumes. A dramatic price increase for Standard Mail parcels will diminish the value of the Postal Service's products relative to QVC's next best alternative. As a result, QVC could be forced to shift significant parcel volumes to other carriers.

The Postal Service has correctly identified its parcel business as a potential growth area. Much work is needed to reduce the costs and improve the profitability of these products,<sup>2</sup> but the dramatic price increases proposed in this case are a step in the wrong direction. The Postal Service (with the full support of the mailing industry) should pursue Congressional resolution of the retiree health benefits pre-funding issue and the CSRS pension overpayment issue, before seeking a dramatic increase in prices.

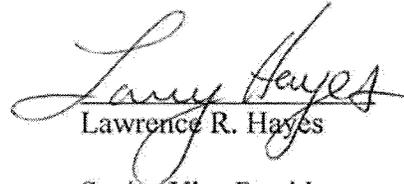
For the reasons stated above, QVC respectfully urges the Commission to reject the proposed pricing increases for Standard Mail parcels as unreasonable and inequitable. Any increase for Standard Mail parcels should be appropriately moderated and should be consistent with the prices proposed of other products.

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<sup>2</sup> QVC supports the technical arguments raised by PSA highlighting deficiencies in the Postal Service data and methodologies used to develop the pricing proposal for Standard Mail parcels. PSA Comments at 13-19.

QVC appreciates the Commission's consideration of these comments.

Respectfully submitted,

A handwritten signature in cursive script that reads "Larry Hayes". The signature is written in black ink and is positioned above the printed name "Lawrence R. Hayes".

Lawrence R. Hayes  
Senior Vice President  
and General Counsel,  
QVC, Inc.