

DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997)

Docket No. R97-1

CTC DISTRIBUTION SERVICES, L.L.C.
RESPONSE TO UNITED PARCEL SERVICE
MOTION FOR AMENDMENT TO RECOMMENDED DECISION
(June 18, 1998)

CTC Distribution Services, L.L.C. ("CTC"), through its undersigned counsel, pursuant to Rule 21 of the Commission's Rules of Practice and Procedure, 39 C.F.R. section 3001.21, hereby respond to the United Parcel Service's ("UPS") Motion for Amendment of Recommended Decision to Correct Rate Recommendation for DDU Parcel Post, filed June 5, 1998.

UPS' motion requests that the Commission make changes in its *Opinion & Recommended Decision* in Docket No. R97-1, on the assumption that the Commission's rate recommended for parcel post mailpieces dropshipped to a Destination Delivery Unit which weigh two pounds or less is in error and should be increased from \$1.10 to \$1.29. The UPS motion (p. 2, n. 3) characterizes the \$1.10 rate as "hard coded" and speculates that the identification of this rate may have been "inadvertent."

On June 15, 1998, the Postal Service filed a response to the UPS motion, noting an inconsistency in UPS' position (*e.g.*, UPS did not likewise request that the Commission amend the two-pound Parcel Post Intra-BMC Local rate, which also did not follow the formula for the calculation of such rates at other weights, but was higher than the "indicated" rate). The Postal Service further observes that the spreadsheet provides clear evidence of an intent by the Commission to "hard code" the rate, at least at some point during the rate design process.

CTC has several concerns it would like to raise regarding the June 5, 1998 UPS motion. First, UPS has raised this challenge to the Commission's recommended rate (for Parcel Post mailpieces dropshipped to a Destination Delivery Unit which weigh two pounds or less) nearly a month after the issuance of the *Opinion & Recommended Decision* in Docket No. R97-1. No timely filing was made with the Governors, who now have jurisdiction over this rate case.

Second, UPS' only point — the presence of a possibly "inadvertent" rate (which UPS characterizes as an oversight or error by the Commission) — appears buried in footnote 3 on page 2 of the motion. UPS describes the \$1.10 rate for two pound DDU Parcel Post as, using quotation marks, "hard coded." Nevertheless, the worksheet in question (PRC LR-15, R97post.xls, 'DSCF,' cells A481:G560) does not use UPS' term "hard coded," but rather expressly uses the term "set," with an arrow pointing towards the two pound DDU rate cell. A rate which the Commission has expressly set is no error or oversight.

Third, UPS' proposed 19 cent increase on two pound or less DDU Parcel Post would likely have a significant effect on DDU revenues and volumes, an effect which has not been incorporated into the Commission's target revenues for Parcel Post (as well as for the Postal Service's overall revenue). The volume of two pound or less DDU Parcel Post is estimated to be more than half (51.3 percent) of total DDU volume (*see* PRC LR-15, R97post.xls, 'DSCF', "Test Year Transportation Costs by Zone and Weight"). As a result, UPS' proposed rates

would likely dramatically effect DDU volumes and revenues — an effect which would appear to require the reduction of all other DDU Parcel Post rates.

CTC urges the Commission to deny UPS' motion, making no change in the recommended rate for 2-pound DDU parcel post.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



John F. Callender, Jr.

June 18, 1998