

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

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POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 1997)

Docket No. R97-1

CTC DISTRIBUTION SERVICES, L.L.C.
REPLY COMMENTS REGARDING THE MODIFICATION
OF PARCEL POST DESTINATION DELIVERY UNIT RATES
ON RECONSIDERATION BY THE COMMISSION
(August 11, 1998)

On July 30, 1998, pursuant to Order No. 1215, UPS filed comments with the Commission on matters returned by the Postal Service Board of Governors for reconsideration, including, *inter alia*, the recommended Standard Mail B Parcel Post Destination Delivery Unit rates. In those comments, UPS urged the Commission to modify the 2-pound DDU rate while making no corresponding reductions in other DDU rates. Implicitly, UPS has urged the Commission to adopt a non-revenue neutral approach to rate design on remand. The rate design promoted by UPS clearly would increase Postal Service revenues.

The UPS recommendation is quite interesting, particularly in view of the public position of UPS, articulated in a press release dated June 30, 1998, that “[t]he upcoming hike in the price of first-class letter mail is unnecessary and will simply provide more money to the Postal Service to compete unfairly in the marketplace.... This added revenue is not needed to meet universal service requirements, but will only expand the Postal Service’s ability to compete unfairly in the marketplace.... The decision raises further questions regarding the Postal Service’s practices and government-granted advantages, which Congress already is investigating.” (See www.ups.com/news/980630postal.html.) Thus, UPS now would appear

to be encouraging the Commission to increase the revenue of the Postal Service even further, thereby adding to its war chest which it allegedly uses to compete unfairly.

UPS' position is that the additional revenue which it passionately urges the Commission to provide to the Postal Service is only "small," even "infinitesimal" and "one hundredth of one percent." If the additional revenue at issue were so "infinitesimal," one can only wonder why it would be argued for so strongly. The truth is that this additional revenue is, indeed, infinitesimal, but only from the standpoint of the Postal Service. What UPS fails to acknowledge is that this additional revenue is substantial from the standpoint of those mailers who would use the DDU entry rate. The increased revenue burden would be imposed on those Standard B mailers who already have been required to absorb the highest percentage rate increase of any subclass of mail in this docket.

New postal products frequently require mailers to expend substantial sums to be able to do the worksharing required to obtain the new rates. It is essential that the worksharing rate incentive be sufficient to encourage the investments necessary to develop a network capable of entering mail at destination entry points deeper in the system. The additional revenue which UPS seeks to raise from the 2-pound rate for DDU-entry would dampen the incentive, slow network development, and retard the ability of mailers to utilize the new product offering. Failure to develop the critical mass necessary to operate a network for DDU entry can affect utilization and volume adversely at all weight levels, not just volume in the 2-pound rate cell that is at issue here. Both the Commission's recommended rates and the rates calculated by CTC in its earlier filing offer the opportunity to mitigate rate increases in return for investing substantial resources.

The Commission, the Postal Service and the mailers all are satisfied with the revenue produced by the previously proposed rate schedule for DDU entered parcels. The effort by UPS to take advantage of the remand in this case to achieve a competitive advantage should be rejected.

Respectfully submitted,

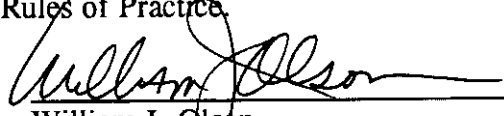


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CERTIFICATE OF SERVICE

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


William J. Olson

August 11, 1998