

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Institutional Cost Contribution
Requirement for Competitive Products

Docket No. RM2012-3

**Public Representative Comments on Parcel Shippers Association Motion to
Extend Initial and Reply Comment Period**

(February 29, 2012)

On February 24, 2012 the Parcel Shippers Association (PSA) filed a motion to move the deadlines on initial comments in this docket from March 5, 2012 to February 6, 2013 and the reply comments from April 2, 2012 to March 6, 2013, an 11 month delay. PSA Motion at 1. PSA notes that the extension is appropriate because the statute allows for the extension and that there is no urgency for the Commission to make an informed decision on the appropriate share of institutional costs to be borne by competitive products. Id.

While the Public Representative acknowledges that the review initiated by the Commission does not have a specific legislative due date, there is a question of whether waiting an entire year is really necessary for the parties to this rulemaking to prepare the appropriate comments and provide the Commission all of the pertinent information to make an informed decision in this matter.

I. Competitive Products Becoming a More Important Part of the Postal Service's Revenue Stream

Parcel Shippers lays the groundwork for its motion by noting that the competitive products share of institutional costs has grown since 2007, have not been priced in a predatory manner, and that the relative volumes have remained stable.¹ It is a small player in the market and that the risks identified by the Commission in its Order No. 1108 establishing this docket have not come to pass since the passage of PAEA.

¹ PSA motion at 4-5. The table 3 in the motion purportedly shows domestic competitive product volumes since 2008, however, the figures shown in the table are revenues not volumes.

However, rather than looking at the broad numbers, it is more important to look at the share of competitive products revenues and volumes to the total volumes and revenues of the Postal Service. Since FY 2007, the share of competitive product volumes has remained relatively steady, but its share of the total revenues and costs has grown significantly. As shown in the following table, total competitive product volumes have been slightly less than one percent of the total Postal Service volumes over the years. Revenues and costs though have increased from 10.5 percent and 13.4 percent in FY 2007 to 13.7 percent and 16.2 percent in FY 2011. While quarterly costs by product are not available, the competitive product revenues have grown even more in the first quarter of FY 2012 to almost 17 percent. Additionally, the first quarter volumes have jumped from 0.9 percent of total volume in FY 2011 to 1.3 percent.

**Competive Product Share of Total
Volume, Revenue, and Attributable Cost
FY 2007 - Quarter 1, FY 2012**

	Volume	Revenue	Attributable Costs	Contribution to Institutional Costs
FY 2007	0.8%	10.5%	13.4%	5.66%
FY 2008	0.8%	11.2%	14.5%	5.54%
FY 2009	0.8%	11.9%	14.4%	6.78%
FY 2010	0.8%	12.9%	15.0%	7.12%
FY 2011	0.9%	13.7%	16.2%	7.82%
Q1, FY 2012	1.3%	16.8%		

This trend is expected to continue as the Postal Service transfers more market dominant products to the competitive products. The first quarter of FY 2012 showed that the move of First-Class parcels to the new competitive product category of First-Class Package Services is responsible for the bulk of the increase in volume and revenue shares. Subsequent quarterly reports will soon have the inclusion of former market dominant Standard Mail parcels included within the competitive product Parcel Select, further increasing the shares of volumes and revenues of competitive products.²

II. AN EXTENSION OF SIX MONTHS IS ENOUGH TIME

² First-Class lightweight commercial parcels were transferred to the competitive product list by Order No. 710 in Docket No. MC2011-22; Standard Mail commercial parcels were transferred to the competitive product list by Order No. 689 in Docket No. MC2010-36.

Parcel Shippers is correct in noting that there are many uncertainties revolving around the Postal Service at this time. Pending reform legislation, the network realignment plans, restructuring of the postal retail network, and the aforementioned expansion of the competitive product list and its affect on competitive product volumes, revenues, and costs all bring various uncertainties into the conversation. However, waiting until final FY 2012 volume, cost, and revenue data is not necessary.³

Volume and revenue data can be tracked and analyzed through the quarterly Revenue, Pieces, and Weight reports. While the Postal Service does not provide quarterly product cost data, this data is produced on a regular basis. It might be possible if the Commission were to request, in the order replying to the PSA's motion, that the Postal Service provide aggregate quarterly cost information for competitive products as a whole. They could provide this single number within the quarterly 10-Q statements, or as a separate document that could be filed with the quarterly statement. The Public Representative understands that the cost data is unaudited and could be potentially unreliable. But it would not be so totally unreliable as to present a reasonable idea of the costs and potential cost coverage of competitive products as a whole, even with the establishment of the new products taking place in FY 2012.

Providing this data for the first three quarters of FY 2012 would enable the parties to develop meaningful comments and presentable data to the Commission in order to aid in the development of the proper and fair institutional cost contribution from competitive products.

Therefore, the Public Representative would recommend an extension of six months for the preparation of comments and reply comments in this proceeding. That would make the initial comments due on August 30, 2012 and reply comments due September 21, 2012. The extension should come with a request of the Postal Service to provide the quarterly aggregate competitive product cost data noted above.

Respectively Submitted

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Public Representative

³ It appears that this is PSA's intent by delaying until after the Postal Service files the FY 2012 Annual Compliance Report and provides the CRA and RPW data that accompanies the report.