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

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| PERIODIC REPORTING (PROPOSAL TWELVE) | Docket No. RM2016-3 |

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
REGARDING PROPOSAL TWELVE
(December 9, 2015)

Order No. 2836 (November 24, 2015) set the dates of December 4, 2015 for Initial Comments on Proposal Twelve, and December 9, 2015 for Reply Comments. The only comments filed on December 4 were those of the Public Representative and of UPS. The Postal Service hereby replies to those comments.

Proposal Twelve seeks authorization to refine the treatment of certain costs associated with vehicles used by city carriers, in order to better align with the improved treatment of city carrier labor costs recently approved by the Commission. The scope of Proposal Twelve, however, is quite modest. Proposal Twelve is premised on the same conceptual framework upon which attribution and distribution of the costs in question have been conducted for many years. Because that conceptual framework constitutes the established methodology, the Postal Service in Proposal Twelve bears no obligation to prove the validity of that framework. The sole issue presented by Proposal Twelve is whether the revisions proposed, particularly in light of other carrier cost changes recently approved by the Commission, lead to a better application of that conceptual framework than what results from continued utilization of the specific methodological components that Proposal Twelve seeks to replace. Stated most simply, the only question presented by Proposal Twelve is whether or not approval of its limited

refinements would constitute an improvement over the status quo. The Postal Service is confident that its filing has shown that adoption of Proposal Twelve would lead to more accurate costs than would its rejection.

The Public Representative certainly concurs with that view. After fully reviewing the components of Proposal Twelve, the Public Representative concludes:

> The Public Representative recommends that the Commission approve Proposal Twelve. Proposal Twelve is an improvement over the current methodology for allocating ancillary city carrier vehicle services and labor costs. The Public Representative agrees with the Postal Service's rationale that the approval of Proposal Twelve aligns the current cost methodologies with the city carrier direct labor methodologies already approved in Proposal Thirteen.

PR Comments at 5. The Public Representative has correctly identified the relevant issue, and supports the resolution of that issue advocated by the Postal Service.

In contrast, UPS has chosen to venture well beyond consideration of the germane issue actually presented by Proposal Twelve, to instead cast aspersions on aspects of the underlying framework that would <u>not</u> be modified by Proposal Twelve. This is clearly evident from the "three serious conceptual problems with [Proposal Twelve]" that UPS claims to identify and discuss on pages 2-5 of its Comments. The first "problem" is little more than a lament that Proposal Twelve unabashedly builds on the procedures approved as part of Proposal Thirteen. UPS Comments at 3. UPS unsuccessfully sought to block implementation of Proposal Thirteen, and, by now seeking to block a proposal intended to bring other procedures in line with Proposal Thirteen, is merely trying to take another bite of the same apple. The "second problem" UPS claims to identify is that Proposal Twelve is based on the same analytic framework as the existing methodology. *Id.* at 3-5. Of course, this is a strength of the proposal, not a problem, as Proposal Twelve creates no need to readdress that analytic

framework, upon which it is no more dependent than is the status quo. Similarly, the "third problem" with Proposal Twelve allegedly identified by UPS – the assumption that network travel time is fixed with respect to volume – is neither a new assumption required by Proposal Twelve, nor a new assumption (as UPS perhaps appears to imply) required by Proposal Thirteen, but instead is an assumption upon which the Commission's established methodology is and has been premised for quite some time. Obviously, UPS is attempting to use its comments on Proposal Twelve as simply another platform to launch its (unmeritorious) attacks on matters that are not germane to that proposal, but are instead components of a broader UPS agenda to undermine the Commission's long-established methodologies.

In fact, UPS never even states a clear position on whether it would view Proposal Twelve as an improvement over the status quo, notwithstanding the fact that, in accordance with the UPS stated objective (UPS Comments at 11-12) and as confirmed by the Public Representative, the proposal would increase the attributable costs of competitive products. UPS possibly hints that, compared with continuation of the status quo it would favor the adoption of Proposal Twelve, when grudgingly urging "the Commission to adopt no more than temporary conclusions in this docket." UPS Comments at 1.

Yet this statement by UPS manifests an inherent misunderstanding of the realities of postal costing. Clearly, *any* conclusions reached in methodological proceedings are temporary, in the sense that they can be revisited in future proceedings as things change and circumstances warrant. But to advocate, as UPS does on page 10, that "the Commission should not adopt Proposal Twelve as anything other than a

short-term measure applicable to FY 2015 ACR alone," is to advance a fundamentally flawed and inefficient notion of administrative procedure. Would UPS suggest that, for purposes of the FY 2016 ACR, the applicable procedure should automatically revert back to the current status quo? Instead, the Commission should approve Proposal Twelve as the new established procedure. If and when circumstances change in the future, UPS, or the Postal Service, or any other interested party, can petition the Commission to consider a new proposal. Or the Commission could advance on its own initiative. 39 CFR § 3050.11(a). Neither postal operations nor postal costing procedures are static over time, and one can clearly postulate the possibility of new circumstances that would warrant reconsideration of both guiding principles and specific application of those principles. None of that, however, should impede prompt approval of Proposal Twelve as the appropriate resolution of this proceeding.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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