

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

REGULATIONS ESTABLISHING SYSTEM)
OF RATEMAKING)

Docket No. RM2007-1

ASSOCIATION OF PRIORITY MAIL USERS, INC.
REPLY COMMENTS ON REGULATIONS ESTABLISHING A SYSTEM OF
RATEMAKING IN RESPONSE TO COMMISSION ORDER NO. 15
(July 3, 2007)

The Association of Priority Mail Users, Inc. (“APMU”), pursuant to Commission Order No. 15 (Second Advance Notice of Proposed Rulemaking on Regulations Establishing a System of Ratemaking), issued May 17, 2007, submits this reply to comments filed on June 18, 2007 by United Parcel Service (“UPS”).

In its comments filed June 18, 2007, the UPS stated:

It is clear, for example, that the Commission must take into account in evaluating the legality of competitive rates any **net economic benefit** the Postal Service derives from the **differential application of Federal and state laws** between it and private sector companies. P.L. 109-435, § 703(d). Thus, the Commission should require that competitive products as a whole generate revenue covering the net economic benefit realized by the Postal Service due to preferential legal treatment, **on top of their attributable costs and their appropriate share of institutional costs.** The Commission will be in a better position to quantify this requirement when it receives the FTC’s report. **Until the Commission is able to do so**, we suggest that it require that competitive products recover an additional amount **above attributable and institutional costs** to account for the Postal Service’s **advantages.** [Emphasis added.]

In its comments, UPS appears to assume in advance the result of the study to be completed by the Federal Trade Commission (“FTC”) (USPS Study, Project P071200), identifying how federal and state laws that apply differently to the competitive category of mail

and to private companies providing similar products benefit the Postal Service. UPS assumes that the FTC will demonstrate only advantages to the Postal Service that need to be remedied. Of course, a determination of “net economic benefit” requires that **all benefits and all costs** associated with the Postal Service be considered. UPS generates a profoundly skewed analysis when it fails to consider either extra costs to Postal Service competitive products, or extra benefits to competitors.

It is hoped that the FTC study will give equal attention to the additional costs imposed on Priority Mail by federal laws applying to the Postal Service, not the least of which is above-market wages and benefits paid postal employees. By any fair standard, Congress has imposed numerous burdens on the Postal Service which, in turn, impose costs on competitive products, and these economic burdens cannot be ignored.

Furthermore, the Postal Service certainly does not have the market and political power that some of its competitors have, by which they obtain assistance from states and localities. By way of illustration, a recent press account reported that UPS continues to receive sales tax preferences from the State of Kentucky to offset the costs of its expansion of the UPS Worldwide cargo hub at Louisville International Airport. “UPS Receives Additional Tax Breaks for Worldport Expansion,” Atlanta Business Chronicle, June 28, 2007. Certainly the picture of competitive benefit is, at the very least, much more complicated than UPS would want the Commission to believe. Any extra-statutory suggestion that the Commission surcharge competitive products “on top of their attributable costs and their appropriate share of institutional costs” based on what UPS hopes that the FTC study will show is self-serving in

the extreme, fulfilling UPS' continuing desire to price postal products out of the marketplace to protect UPS' high market share and corporate profits.

Respectfully submitted,

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