

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

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POSTAL RATE AND FEE CHANGES, 2000 )

Docket No. R2000-1

REPLY BRIEF  
OF THE  
ASSOCIATION OF PRIORITY MAIL USERS, INC.

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Association of Priority Mail Users, Inc.

September 22, 2000

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ARGUMENT

**I. POSTAL SERVICE CRITICISMS OF WITNESS HALDI'S PROPOSALS REGARDING PRIORITY MAIL ARE NOT PERSUASIVE.**

In its initial brief, the Postal Service opposes both of witness John Haldi's classification proposals regarding Priority Mail. First, the Postal Service opposes witness Haldi's proposal to reduce the maximum weight of First-Class Mail to 11 ounces, returning it to the level that existed between Docket Nos. R87-1 and R97-1. USPS Initial Brief, pp. VII-100-01. Second, the Postal Service opposes witness Haldi's proposal to develop a discount for Priority Mail pieces used to dropship other classes of mail to a Destination Sectional Center Facility. *Id.*, pp. VII-101-08. The Postal Service also attacks witness Haldi's proposed Priority Mail rates. *Id.*, pp. VII-93-99. None of the Postal Service's objections to witness Haldi's proposed classification changes and rates is persuasive. Witness Haldi's proposed classification changes and rates for Priority Mail should be recommended.

**A. The Maximum Weight of First-Class Mail Should Be Decreased.**

The Postal Service's opposition to witness Haldi's proposal to change the maximum weight of First-Class Mail from 13 ounces to 11 ounces is a curious reversal of its prior position. The Postal Service is consistent only in opposing anything and everything that it does not originate, otherwise referred to as its NIH syndrome (*i.e.*, "Not Invented Here"). The Postal Service strongly opposed witness Haldi's proposal to increase the maximum weight of First-Class Mail to 13 ounces in Docket No. R97-1, asserting, *inter alia*, that service differences between First-Class Mail and Priority Mail justified the \$0.57 rate gap between the two products. *Op. & Rec. Dec.*, Docket No. R97-1, para. 5234. Now, despite the fact that the Postal Service's proposal for a one-pound Priority Mail rate dramatically changes the inter-class analysis, the Postal Service belatedly agrees with witness Haldi's analysis in Docket No. R97-1, which applied to a different set of circumstances.<sup>1</sup> USPS Initial Brief, p. VII-100. By contrast, witness Haldi's rate design principle has not changed between dockets — that the maximum weight of First-Class Mail should be set at a level so as to avoid an unwarranted influence on Priority Mail rates and provide for a reasonable transition between these products. *See Op. & Rec. Dec.*, Docket No. R97-1, para. 5232; Docket No. R2000-1, Tr. 25/11558.

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<sup>1</sup> When Priority Mail had only a two-pound (up to 32 ounce) rate, the highest First-Class weight increment could be 13 ounces without applying pressure to raise Priority Mail rates. Now, with the new one-pound (up to 16 ounces) rate, the highest First-Class weight increment is more appropriately set at 11 ounces.

The Postal Service argues that “witness Haldi’s own classification proposal fails with respect to the second of his Docket No. R97-1 criteria.” USPS Initial Brief, p. VII-101. This apparently refers to witness Haldi’s observation in the prior docket that the maximum weight of First-Class Mail should not remain at 11 ounces “if it results in an artificially low two-pound-and-under Priority Mail rate.” *Id.* at 100, quoting from Docket No. R97-1, Tr. 20/10307. This argument is misplaced, as the record in this docket contains nothing that specifically characterizes either the Postal Service’s proposed \$3.85 two-pound rate, or witness Haldi’s proposed \$3.75 two-pound rate, as “artificially low.” If the Postal Service is arguing that APMU’s proposed one-pound rate is “artificially low,” its only possible basis for such an assertion is the fact that the markup on APMU’s one-pound rate is below the subclass average, an observation that was equally true with regard to the Postal Service’s proposed two-pound rate in Docket No. R97-1.

The Postal Service seems to understand that its proposed establishment of a one-pound Priority Mail rate provides a long-term solution to the variances (or rate “gap”) created by distinct First-Class Mail and Priority Mail rate designs. USPS-T-34, p. 16, ll. 1-11. Given that the justification for the prior docket’s increase in the maximum First-Class weight has now been removed, and that the highest First-Class Mail rate serves as a floor for the lowest Priority Mail rate, witness Haldi’s proposed reduction in the maximum First-Class weight smooths the rate transition between First-Class Mail and Priority Mail, without necessitating an excessively high one-pound rate, such as the

\$3.45 one-pound rate proposed by the Postal Service. Witness Haldi's proposal is reasonable and should be recommended by the Commission.

**B. The Discount for Priority Mail Pieces Used for Dropshipment of Other Mail to Sectional Center Facilities Should Be Recommended.**

The Postal Service mischaracterizes witness Haldi's second classification proposal as applying to Priority Mail pieces dropshipped to an SCF. *See* USPS Initial Brief, pp. VII-101-02. It should be clear that the Priority Mail pieces are not being dropshipped. Instead, it is the constituent mailpieces (typically Standard A Regular) within the Priority Mail sack that are actually dropshipped to a Destination SCF, by means of Priority Mail. Tr. 25/11560-61.

The Postal Service does not deny that these Priority Mail pieces avoid handling, transportation (from SCF to DDU), and delivery costs. It even offers that the proposal "may merit further study" — a refrain that Priority Mail users have heard on this issue for many years now. USPS Initial Brief, p. VII-102. However, since Priority Mail users are no closer to a study of Priority Mail delivery costs than to any of a long list of other studies oft mentioned but never undertaken by the Postal Service, witness Haldi used the best available cost proxy to estimate the mail handling and delivery costs avoided — the Postal Service's cost data underlying its proposed destination entry Parcel Post/Parcel Select rates.

The Postal Service suggests that an evasive answer by Postal Service's witness Michael K. Plunkett to an Amazon.com interrogatory should somehow preclude witness

Haldi's calculation of DSCF-entry costs. *Id.* Amazon.com requested the markup on DSCF- and DDU-entry Parcel Post rates; according to the Postal Service, witness Plunkett only provided the markup for DDU-entry, evading part of the question. *Id.*, pp. VII-102-03. As a reward, the Postal Service seeks to have witness Haldi's calculations, using the only available data, disregarded by the Commission. *Id.* APMU submits that the Postal Service's attacks on witness Haldi's employment of proposed (*i.e.*, constrained) rates, and not preliminary rates, essentially make a mountain out of a molehill. The Postal Service asserts that "[w]itness Haldi's failure to remove the effects of these constraints on the DSCF parcel post rates ... casts further doubt on his estimates of these unit costs." *Id.*, p. VII-103. Actually, several of the DSCF-entry proposed rates are identical to the preliminary rates. Tr. 13/4981. Furthermore, the difference between the constrained and preliminary rates at the other DSCF-entry rate cells does not exceed \$0.17 (compare USPS-T-36, Attachment I, pp. 3 and 6), which, given witness Haldi's limited (75 percent) passthrough, universal rounding down to the nearest nickel, and other conservative rate design features, ensures that any difference is clearly *de minimis*. See Tr. 25/11570. If the Commission feels any discomfort with witness Haldi's estimate of costs avoided, it can reduce the passthrough to what it considers an appropriate level. The Postal Service argument, that the baby should be thrown out with the bathwater, is wrong headed and should be disregarded.

Next, the Postal Service speculates that handling these Priority Mail pieces may involve some (minuscule) hidden costs. For example, the Postal Service speculates that

sacks of dropship mail entered at the DSCF by means of Priority Mail will incur the costs of several operations at the DSCF which would be avoided if the sack had been entered at the DSCF by means of a truck, or by a competitor to USPS. *Id.*, pp. VII-104-05. The Postal Service had ample opportunity to introduce evidence on rebuttal regarding the existence of such costs, but chose not to do so. Thus, any possible basis for the Postal Service's speculation remains, at best, a mystery, and such speculation should be accorded no weight in the Commission's deliberations.

Next, the Postal Service speculates that mail dropshipped by means of Priority Mail might not meet dropship-entry standards. *Id.*, pp. VII-104-05. This seems an odd speculation for the Postal Service to make, given that mail which does not meet dropship-entry standards will not qualify for destination entry rates. Indeed, it would seem rather unlikely that most mailers would go to the cost and trouble of dropshipping mail, only to pay full rates because certain DMM standards were not met.

Furthermore, the Postal Service also knows that most, if not all, of such Priority Mail pieces are plant loaded, which helps ensure that it meets all dropship and destination entry standards. Clearly, the Postal Service is flailing in all directions, in an effort to attack a straw man.

The Postal Service expresses concern that mail handlers must exert **extra effort** to identify and distinguish Priority Mail pieces containing DSCF-entry mail. *Id.*, pp. VII-105-06. To process a Priority Mail parcel or sack, the Postal Service needs to "identify" where it is to go; *i.e.*, someone must read the address tag or label. This type of cost is universal among Priority Mail parcels and sacks, and provides no basis for



any cost differential between such pieces in general and those pieces qualifying for the proposed discount. Stated another way, witness Haldi's rate design does not presume that these Priority Mail pieces receive no handling **at** the SCF — it presumes that they receive no handling or transportation **beyond** the SCF. Tr. 25/11568.

The Postal Service observes that the costs of opening and shaking out a sack are not reflected in witness Haldi's proposed discount. USPS Initial Brief, p. VII-106. This is correct. In fact, such costs are not properly reflected in this discount because they are associated more appropriately with acceptance of the enclosed pieces, which pay the full DSCF rate. Nor is there any reason to believe that the costs incurred in emptying sacks are not equally incurred by other DSCF-entry mailpieces not transported by Priority Mail. Again, these costs should already be reflected in the Standard A (or other mail class) destination-entry rates.

The Postal Service next observes that Priority Mail pieces used for dropshipment of other classes of mail may be too large to process on the Small Parcel and Bundle Sorters, while smaller and lighter Priority Mail pieces receive such mechanized processing. *Id.*, p. VII-107. This argument is patently absurd. Priority Mail addressed to a DSCF destination there, and does not go beyond the SCF. Consequently, there is no need whatsoever to utilize an SPBS to sort the parcel to a finer level. Moreover, the handling costs incurred at the SCF are already covered by Priority Mail rates, which climb dramatically with weight. Under witness Haldi's proposed rates, the Zone 4 rate for a 40-pound Priority Mail piece would cover all

attributable costs, and contribute \$11.00 per piece to institutional costs. *See* Tr. 25/11566.

The Postal Service has no argument that DSCF-discount eligible Priority Mail pieces would receive some kind of break — these pieces more than pay their way. The discounts proposed by witness Haldi range from \$1.50 to \$3.35. Tr. 25/11571. The Postal Service has no warrant to charge Priority Mail pieces for costs not incurred simply because they contain other mailpieces.

The Postal Service's criticisms of APMU's proposed dropship discount, and the rate design underlying this discount, are frivolous and spurious. This dropship discount would result in greater cost-based rates, would be fair and equitable, would recognize mailer worksharing, and should be recommended by the Commission.

**C. APMU's Proposed Priority Mail Rates Should Be Recommended.**

The Postal Service's initial brief questions the methodology employed by witness Haldi to develop APMU's proposed rates. *See* USPS Initial Brief, pp. VII-93-94, 98-99. It does not, however, challenge witness Haldi's calculation of estimated TYAR Priority Mail revenues from his rates. Tr. 25/11562. Witness Haldi's estimated TYAR revenues are within \$15 million of the Postal Service's estimated TYAR Priority Mail revenues (after admittedly excessive rehabilitation and advertising cost attributions to Priority Mail by the Postal Service are properly backed out). *See* APMU Initial Brief, pp. 26-27.

The Postal Service acknowledges that the sharp increase to Priority Mail's attributed cost-per-piece since the prior docket "points to a greater need for mitigation of the Priority Mail rate increase in the instant case." USPS Initial Brief, p. VII-97. However, no mitigation is evident in the Postal Service's rate increases, which average 15 percent, and exceed 20 percent at the most popular (2-pound) rate. In fact, the Postal Service seeks to impose both an above-average rate increase and an above-average coverage on Priority Mail. *Id.*, pp. VI-15-16.

Thus, the only meaningful effort to mitigate a Priority Mail rate increase is found in witness Haldi's proposed rates. Had Postal Service witnesses also acknowledged Priority Mail's continued deterioration in market share (Tr. 25/11538-40),<sup>2</sup> in value of service (Tr. 25/11542-51),<sup>3</sup> and in competitive rate advantage (Tr. 25/11527-35), perhaps they would have proposed lower rates. It would not have been necessary for witness Haldi to formulate a set of rates — the only set of rates which offers Priority Mail a chance to compete effectively in the market for 2- to 3-day (or more) delivery.

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<sup>2</sup> United Parcel Service's initial brief attacks APMU for discussing market share concerns. UPS Initial Brief, p. 53. UPS also attacks APMU for proposing a Priority Mail cost coverage below that of First-Class Mail. *Id.*, p. 56. *See below* for a discussion of how these attacks on APMU are actually judicially rejected accusations that the Commission has violated the statute.

<sup>3</sup> Even Postal Service witness Virginia J. Mayes (USPS-T-32) was astonished by the evidence of how poor Priority Mail service has been. When, while on the witness stand, she finally was confronted with the performance gap between Priority Mail and First-Class Mail in recent years, she characterized it as "alarming." Tr. 11/4618-22.

## II. UNITED PARCEL SERVICE SEEKS TO CRIPPLE PRIORITY MAIL.

The United Parcel Service (“UPS”) Initial Brief calls the fight. In this corner, weighing 800 pounds, we have APMU, “an association of large users of Priority Mail whose interests obviously lie in depressing Priority Mail rates.” UPS Initial Brief, p. 48. In the other corner, we have UPS, weighing 98 pounds, whose “primary interest ... is to ensure fair competition between the Postal Service and its private enterprise competitors through proper application of the ratemaking requirements of the Act.” *Id.*, p. 5. UPS stresses its concern with enforcement of the Act — in an apparent effort to distinguish its fidelity to the statute from the Commission’s infidelity to the Act.

UPS asserts, for example, that consideration of Priority Mail’s market share in setting Priority Mail rates “run[s] counter to the Act and the purpose for which the Commission was created.” UPS Initial Brief, p. 53. Without stating it directly, UPS here accuses the Commission of contravening the Act. These market share concerns had first been raised by the Commission in Docket No. R94-1, and again in Docket No. R97-1. UPS thus argues (but is unwilling to state plainly) that in those dockets the Commission somehow violated the Postal Reorganization Act when it examined market share issues in the process of determining the rates it would recommend for Priority Mail.

Likewise, UPS asserts that setting Priority Mail’s markup below that of First-Class Mail is “directly contrary to the congressional purpose that motivated the creation

of the Commission.”<sup>4</sup> *Id.*, p. 56. The Commission set Priority Mail’s markup below that of First-Class Mail in Docket No. R97-1.<sup>5</sup> In fact, following Docket No. R97-1, UPS litigated whether the Commission had violated the statute when it set Priority Mail’s markup below that of First-Class Mail. Its argument was rejected by the U.S. Court of Appeals for the District of Columbia circuit. United Parcel Service v. United States Postal Service, 184 F.3d 827 (D.C. Cir. 1999).

Finally, UPS asserts that the allocation of as high a share as 65 percent of institutional costs to First-Class Mail “is contrary not only to the central policies embodied in the Act, but also to the specific ratemaking criteria adopted to implement those policies.” USPS Initial Brief, pp. 2, 8. Yet Chairman Gleiman has observed that First-Class Mail’s share of the institutional costs (under rates recommended by the Commission and approved by the Governors) was 69.5 percent in 1990, and 68.1 percent in 1999. Tr. 26/12747.<sup>6</sup> Here again, UPS implicitly accuses the Commission of violating the Act.

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<sup>4</sup> Priority Mail is a subclass of First-Class Mail, and is sometimes referred to as heavyweight First-Class Mail. Some Priority Mail is subject to the Private Express Statutes, just like First-Class Mail. There is no reason to believe that Congress, at the time of the passage of the Postal Reorganization Act of 1971, drew the specific distinctions between First-Class Mail and the relatively new Priority Mail product introduced in 1968 which UPS claims it did.

<sup>5</sup> It also set the markup for Express Mail below that of First-Class Mail in Docket No. R97-1.

<sup>6</sup> Examination of the *Opinion & Recommended Decision*, Docket No. R90-1, Appendix G, Schedule 1 and USPS-LR-I-275 show that these figures do not include any contribution from Priority Mail.

How then would UPS have the Commission cure its alleged statutory violations? What, specifically, are UPS's imperatives, laid out for the Commission to implement? With regard to Priority Mail, the Commission "must" impose a 43 percent increase to Priority Mail rates. Tr. 38/17249. UPS estimates that its proposed rate increase would produce a 22.7 percent decline in Priority Mail volume, equal to a loss of 308.5 million pieces, compared to Test Year Before Rates volume. UPS's proposed rates would thus bring the Priority Mail volume below 1997 levels, to 1,048 million pieces. UPS-Luciani-WP-Supp-2-1.1. Nevertheless, all this, according to UPS, is demanded by the Act. See UPS Initial Brief, pp. 4, 94. Under UPS's interpretation of the Act, the Commission must reduce Priority Mail to an also-ran, like Express Mail.<sup>7</sup>

According to UPS, the "primary purpose for creating the Commission was to make sure that the Postal Service would not succumb to the inevitable temptation to take advantage of its monopoly power by imposing the 'lion's share' of costs on the 'ordinary mailer.'" *Id.*, p. 42. Perhaps UPS believes that no "ordinary mailer" would use Priority Mail.<sup>8</sup> Be that as it may, UPS cites this purpose as justifying its

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<sup>7</sup> Any attempt to impose an excessive cost coverage on a competitive subclass for a prolonged period of time is folly, as the experience with Express Mail so graphically illustrates. Very high unit profit margins invite entry and cherry-picking by existing and would-be competitors. Many years ago, UPS (and other competitors) played the same theme to the Commission, claiming that the contribution to overhead required from users of First-Class Mail would be "protected" by charging a very high coverage on Express Mail. Today, of course, the contribution from Express Mail is *de minimis*, as is the cost coverage which the Commission imposes. See *Op. & Rec. Dec.*, Docket No.R97-1, para. 5011.

<sup>8</sup> Even UPS witness David E. M. Sappington (UPS-T-6) hesitated to say that he would use Priority Mail if the contents absolutely had to arrive at their destination within two days. Tr. 31/15526.

destructive proposed increase to Priority Mail rates. Yet, somehow, UPS does not mention that Priority Mail's share of postal revenues has been increasing every recent year, while that from First-Class Mail has been decreasing:

<b>Share of Revenues</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
First-Class Mail	59%	58.8%	57.2%	56.6%	55.7%
Priority Mail	6%	6.1%	6.6%	6.9%	7.2%

Source: USPS Annual Reports.

In fact, this growth in Priority Mail's share of postal revenue has occurred since the Commission first began moderating Priority Mail rate increases, in part due to concerns about market share, in Docket No. R94-1. However, even if one were to accept UPS's assumption (and it is a heroic assumption, *see* Tr. 25/11620; Tr. 25/11948-57) that a 43 percent increase to Priority Mail rates **only** results in a 23 percent drop in Priority Mail volume, it is hard to imagine any ensuing benefit to First-Class Mail, or any other postal product, which would need to make up the lost contribution to institutional costs.<sup>9</sup>

Of course, UPS offers plenty of arguments why this crushing 43 percent rate increase "must" be imposed upon Priority Mail. For example, we are told that the

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<sup>9</sup> With regard to a volume estimate derived from an earlier, lower proposed rate increase, UPS witness Ralph A. Luciani (UPS-T-5) observed that he "did a simplified analysis which takes into account how much cost and volume change as a function of the Postal Service's proposed rate increase from the test — in the test year after rates, and simply ratio'd that to the UPS recommended change. So, in particular for volume, it is based on a ratio analysis." Tr. 25/11951. Witness Luciani later added that his estimate: "was more to provide an order of magnitude so that [the Commission] could think about and see what kind of change this appeared to have. But, again, it does not substitute for those sophisticated roll-forward models and volume estimation models that they would use." Tr. 25/11952.

Commission should ignore revised Test Year estimates of Priority Mail advertising costs because the supporting justification is insufficiently detailed. UPS Initial Brief, p. 27. Yet, the justification for such advertising expenditure reductions is plainly set forth in the record: a decision and a commitment by the Postal Service to reduce completely discretionary advertising expenditures in the Test Year. Tr. 46C/20990.

UPS argues that air network premiums should be attributed to Priority Mail, because such mailpieces have been discovered to be “stowaways” on the networks. UPS Initial Brief, p. 29. Rather than being a new issue, UPS seeks to relitigate an issue it did not previously contest, which was resolved against its position in Docket No. R97-1. Although UPS repeatedly states the percentage of mailpieces on the network which are Priority Mail, *id.* at 30, it always seems to forget to mention the low percentage of Priority Mail receiving air transportation on the networks. Likewise, UPS perceives great significance in the fact that the Eagle network is much as it was in 1990, when the network premium was distributed to both Priority Mail and Express Mail. *Id.*, p. 32. UPS does not even attempt, however, to demonstrate how the network has changed since Docket No. R97-1, when the Commission determined that the premium should be attributed to Express Mail. Given the facts that (i) the network must exist for Express Mail, but need not exist for either Priority Mail or First-Class Mail; (ii) Express Mail has absolute priority over all other classes; and (iii) the incremental cost of additional capacity may be less than the rate charged by the commercial airlines, the Commission’s decision in Docket No. R97-1 was clearly



correct. Without any new evidence, or even new arguments from UPS, the Commission should reject the UPS proposal.

UPS exaggerates Priority Mail's market share, citing the chart which UPS commissioned from The Colography Group, Inc. UPS Initial Brief, p. 55. However, before the UPS chart can be taken seriously by the Commission, UPS must first demonstrate the basis for the divergence between the data submitted by the Postal Service early in the litigation of this case and the UPS chart revealed three days before the hearings closed (thus avoiding scrutiny). There appear to be four alternative explanations: (1) the Colography Group had provided inaccurate data to the Postal Service, which the Postal Service faithfully reproduced in its response to discovery; (2) the Colography Group provided the same data to the Postal Service as was provided to UPS, and the Postal Service misrepresented those data in its response to discovery; (3) the Colography Group provided inaccurate data in the UPS chart; or (4) the UPS chart does not use the same definition or measure the same market reflected in the Postal Service's response to discovery.<sup>10</sup> Without proof of the first or second alternatives, the most appropriate assumption is the fourth. Counsel for UPS's assurances notwithstanding, the Colography Group's characterization of the data presented in the cross-examination exhibit is ambiguous at best. In addition, unlike the Postal Service's responses to discovery, no witness ever swore to the reliability of the

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<sup>10</sup> Postal Service data refer to "pieces shipped" whereas UPS data refer to "shipments" where one airbill is one shipment. An airbill can be for multiple pieces. UPS has provided no definition of "shipments," as opposed to pieces.

UPS chart. It is not even clear whether UPS understands how the calculations were made. In sum, UPS bore the burden to authenticate its chart and demonstrate that it is more credible than the Postal Service's discovery response. That burden has not been met.

UPS asserts that demand for Priority Mail "is influenced by many factors other than price." *Id.*, p. 44. Yet it fails to demonstrate that Priority Mail is competitive with alternatives by any means of comparison other than price. Delivery of Priority Mail on Saturdays (and, once or twice before Christmas, on a Sunday) for no extra charge may be nice, but it is of no value to businesses closed on these days, and hardly mitigates the poor performance, substantial uncertainty, and lack of guarantee for a Priority Mail user as to when the mailpiece will actually be delivered. *See* Tr. 25/11540-51. Further, these Saturday and Christmas deliveries hardly compare with money-back guaranteed service commitments, free insurance, free tracking service, consolidated billing and payment options, reliable delivery, scheduled pick-up services, negotiated prices, volume discounts, and free signature confirmation — industry standards which are never available with Priority Mail. USPS-T-32, p. 26, ll. 13-15; Tr. 25/11521.

Curiously, UPS cites witness Haldi for the proposition that, under the **Postal Service's** proposed rates, "Priority Mail will continue to have a **substantial** rate advantage over its private sector competitors." UPS Initial Brief, pp. 45-46, emphasis original. Actually, under the cited portion of APMU's testimony, it is shown that the **Postal Service's** proposed rates would be **higher** than published rates for some

competing products. This citation by UPS is interesting for two additional points. First, UPS declines to compare **its proposed Priority Mail rates** with those of competing products. Second, it ignores witness Haldi's analysis of Priority Mail rates in comparison with the **negotiated** rates of private sector companies. The marketplace is highly competitive, and the Commission should not allow UPS to play hide and seek with its widely-used negotiated rates.

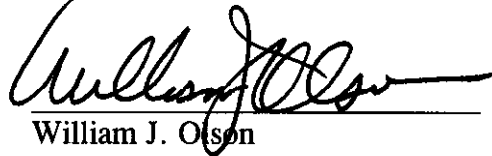
UPS argues that consumers certainly must view Priority Mail as being of higher value than First-Class Mail because, in 1999, 215 million pieces which could have been sent First-Class instead were sent using Priority Mail. *Id.*, p. 47. Of course, this is less than 0.2 percent of the nearly 102 billion pieces which were sent First-Class in that year. USPS-LR-I-275. Further, UPS witness Sappington observes that, even in the 11 and 12 ounce increments, 90 million mailpieces migrated **from Priority Mail back to** First-Class Mail in 1999 when the maximum weight of First-Class was increased — every one of them preferring the less expensive option of First-Class Mail over any UPS-asserted higher value of Priority Mail. Tr. 31/15244.

APMU submits that the true impact of UPS's proposed 43 percent increase to Priority Mail rates cannot be gauged fully from any of the testimony of UPS's witnesses, or by any other evidence on the record. Certainly, the impact would be startling, perhaps devastating. APMU respectfully asks the Commission not to recommend rates based upon the unsound, unsupported, and self-serving UPS proposal.

**CONCLUSION**

As set forth in the APMU Initial Brief, and as further demonstrated above, the Priority Mail rate and classification proposals set forth in the testimony filed in this proceeding by witness Haldi should be recommended by the Commission

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William J. Olson", written over a horizontal line.

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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.

  
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William J. Olson

September 22, 2000