

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0111**

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**Evolutionary Network Development }  
Service Changes, 2006 }**

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**Docket No. N2006-1**

**RESPONSE OF  
THE PARCEL SHIPPERS ASSOCIATION  
TO THE  
COMMISSION'S NOTICE OF INQUIRY NO. 1**

Parcel Shippers Association (PSA) hereby provides its response to the Commission's Notice of Inquiry No. 1, issued March 28<sup>th</sup>, 2006.

1. Essentially, the Commission's inquiry is whether or not it should delve far more deeply into the implications of the Postal Service's Notice of Realignment in order to achieve its responsibilities under the Postal Reorganization Act, or should it simply respond to the more limited request of the Postal Service for an advisory opinion. While not saying so, it appears that the Postal Service hopes that it can get the Commission to render an opinion, preferably a positive one, about the procedures it is utilizing in order to rationalize its dysfunctional infrastructure, and thereafter not have to come back to the Commission for any further advisory opinions about resulting service changes, if any, that are national in scope. Based on the Postal Service's filing, PSA does not think it complies with § 3661(b) of the Act. That section requires the Postal Service, once it determines that there should be a change in the nature of postal services which would generally affect services on a nationwide or substantially nationwide basis, to submit a proposal to the Commission requesting an advisory opinion on that change. The Postal Service has not indicated any specific changes in the nature or cost of postal services

- other than to state that there will be changes, some service better, some less, and costs saved, without any specific identification that would permit the Commission to make a judgment, nor any certainty that the changes will be nationwide in scope.
2. The Commission asks whether it can perform its statutory role when the evidence submitted bears primarily on the goals of network realignment and the processes by which it is implemented, and the impact on service levels and costs cannot be ascertained from that evidence. The answer PSA suggests is no, the Commission cannot perform its role, and therefore it should not attempt to. To answer the kinds of questions posed in the Commission's inquiry would require the Commission to form itself into an investigative board of inquiry, and go far beyond the evidence offered in this proceeding by the Postal Service. We do not believe that that was contemplated in the Statute, and it would put the Commission in the untenable position of scrutinizing the process of management decision-making about operations, inevitably interfering in the actual management and decision-making of the Postal Service. That is not the Commission's role.
  3. May we suggest that the Commission appraise the filing that was made by the Postal Service and give the Postal Service its opinion about what it was asked: Does the Commission think that the Postal Service's enunciated goals, the processes they are using, and the criteria that they are employing in their network realignment process are consistent with policies of the Act. Such an opinion, whether pro or con, would not dispense the Postal Service from returning to the Commission once again when they have completed their process and know what the affects on service and cost will be, and request the Commission once again for an advisory opinion if there are changes that are national in scope.
  4. In evaluating the Service's processes and criteria they are employing in their network realignment, we urge the Commission to address some other very practical questions about the Service's approach. For example, in addition to affecting USPS service and costs, changes to the Postal Service's network as outlined would also affect how, for example, parcel shippers and other mailers prepare and enter their mailings. For

example, if approximately 70 destination regional distribution centers (DRDCs) replace approximately 20 destination bulk mail centers (DBMCs) as destination entry points for parcels, shippers would have to incur additional transportation and mail preparation costs to dropship parcels. Such a realignment would likely be accompanied by a requirement to palletize, rather than bedload, parcel shipments. That would reduce capacity utilization and further increase transportation costs for parcel shippers. So far as we can tell from the filing, this aspect of the infrastructure rationalization is not being considered adequately. To design an optimal network, the affect on mail preparation and entry practices must be considered. In particular, while realignment may reduce some Postal Service costs, if it also substantially increases the mailers costs in order to enter the mail system, is that any real progress? We hope the Commission will address that issue in its comments to the Postal Service.

5. Going beyond what is at issue in this proceeding, there are other consequences that the Postal Service and, ultimately, the Commission must consider about these proposals. For example, work-sharing discounts should be updated based upon changes in the Postal Service's network. If the cost avoidance from entering parcels at DRDCs is higher than the cost avoidance from DBMC entry, destination entry discounts should be increased if and as soon as a shift from DBMC to DRDC entry occurs. Otherwise, the potential change in entry points can have the unintended consequences of reducing the volume of parcels that are dropshipped. That is not at issue in this proceeding, but the Postal Service and the Commission should immediately consider those issues once there is an implementation of the changes.
6. These comments are not intended to disparage the Postal Service. Quite the contrary, we believe it is admirable that the Postal Service has been this transparent about its processes and has invited the opinions of those important to the postal community, including the Postal Rate Commission. However, since the Postal Service does not really know what the final changes will be, and what the effects on service will be, they are not in a position now to ask for the required statutory advisory opinion, nor is the Commission in a position to give it.

Respectfully submitted,

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