

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON DC 20268-0001**

PERIODIC REPORTING

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Docket No. RM2008-2

**REPLY COMMENTS OF
MAGAZINE PUBLISHERS OF AMERICA, INC.**

Magazine Publishers of America, Inc. (“MPA”) respectfully submits these reply comments pursuant to Order Nos. 99 and 102. MPA replies here to the September 8 comments of other parties on two issues: (1) Vehicle Service Driver (“VSD”) costs and (2) the Periodicals processing cost model.¹

I. VEHICLE SERVICE DRIVER COSTS

In its request (at 20-21), the Postal Service proposes changing the key used to distribute approximately \$400 million of VSD costs plus their associated piggybacks from (1) cubic feet of originating mail (based on Revenue, Pieces, and Weight (“RPW”) statistics) to (2) Intra-SCF purchased transportation cubic-foot miles (based on the Transportation Cost System (“TRACS”)). The Postal Service’s primary rationale for making this change is that the existing distribution key inappropriately assigns VSD costs to mail entered at the destination delivery unit (“DDU”)—mail that presumably would avoid these costs.

¹ MPA is also joining the reply comments of the Parcel Shippers Association *et al.* on the treatment of group-specific costs.

In their Initial Comments filed on September 8, 2008, multiple parties criticized this proposal. Specifically, they argued that while the old key does appear inappropriate because costs should not be distributed to mail that does not cause them, the Postal Service has not proven the appropriateness of the new key. Public Representative (“PR”) Comments at 9-10; Time Warner (“TW”) Comments at 7-9; Valpak (“VP”) Comments at 15-18; American Postal Workers Union (“APWU”) Comments at 3-4. Rather, the Postal Service proposes to adopt intra-SCF purchased transportation cubic-foot miles as a proxy because a “specific VSD distribution key” does not currently exist. Request at 21. Further, these parties explain that there may be important differences between intra-SCF and VSD routes that would make intra-SCF cubic-foot miles an inappropriate distribution key for VSD costs. For example:

- “VSDs usually handle INTRA-SCF runs of less than 25 miles while [intra-SCF] contractors handle runs of longer distances.” PR Comments at 9.
- “VSDs tend to perform shorter runs, including airport runs”²² (which presumably should be distributed only to mail that is transported by air). TW Comments at 8.
- “VSDs also perform duties that do not involve driving.” *Id.*

Another cause for concern is that the Postal Service has not provided (and apparently cannot provide) a reasoned explanation for the wide range in impacts on the

²² Apparently, intra-SCF contractors make some airport runs, but most are performed by VSDs. TW Comments at 9, fn. 3.

distribution of VSD costs for particular subclasses resulting from the proposed change in distribution key. VP Comments at 17.

MPA agrees with other commenters that “simply replacing one inaccurate distribution key with another is hardly a satisfactory solution” and that “progress does not consist of replacing one flawed distribution key with another that may be flawed to an equal or even greater extent.” TW Comments at 9; VP Comments at 17. Given the concerns discussed above, the Commission should not approve the Postal Service’s use of the proposed VSD distribution key in the development of the FY 2008 Annual Compliance Report.

II. PERIODICALS COST MODEL

In addition to addressing specific USPS proposals to amend costing methods, TW’s initial comments include an addendum entitled “Recommendations for Improving The Periodicals Class.” The addendum discusses, among other topics, “needed improvements in the Periodicals processing cost model.” Addendum to TW Comments at 1. MPA trusts that the Commission will take the TW Addendum into account in evaluating proposed changes to the Periodicals cost models that we expect the Postal Service will file in the upcoming months.

CONCLUSION

Magazine Publishers of America, Inc., respectfully request that the Commission adopt take the action recommended herein.

Respectfully submitted,

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