

word “describing” for “highlighting.” The intent of this proposal is to have the roadmap witness generally explain the change and the reason for it.⁴⁹ The Postal Service opposes the wording change. While acknowledging that the word describe may not be “utterly inappropriate,” contending that the use of “highlighting” better conveys the appropriate level of detail.⁵⁰

The Commission adopts this UPS suggestion. On reflection, the term “highlighting” is perhaps too ambiguous in the context of the rule. The roadmap witness should describe changes in cost methodology, volume projections, and rate design in sufficient detail to inform the reader of the nature of the change.⁵¹ This should adequately inform the reader of the change and direct him or her to the testimony of the witness sponsoring the proposed change, where the complete details of material methodological changes will be contained. In this fashion, the roadmap testimony will fulfill its intended role. Moreover, this clarifying change appears to be consistent with the Postal Service’s understanding of the roadmap’s function. Specifically, the Postal Service recognizes that the description of the changes must be sufficient to enable readers to understand the nature of the changes.⁵²

Second, UPS suggests that rule 53(c) be modified by inserting the phrase “for each affected subclass” at the end of the final sentence to that subsection.⁵³ UPS states that its proposal is intended to make the intent of the proposed rule clear.⁵⁴ In opposing this suggestion, the Postal Service observes, first, that the effect of some changes cannot be presented at the subclass level. In support, it references a study done by witness Bozzo. Second, the Postal Service states that certain cost studies are done below the subclass level. Finally, the Postal Service asserts the change is unnecessary as it intends, where appropriate, to provide the impacts by subclass.⁵⁵

The rule will be adopted as proposed. The testimony required by this subsection directs, first, that material changes in cost methodology, volume

projections, and rate design be identified and explained. The intent of this provision is that the relevant witness explain each material change, which may affect the system as a whole or individual classes or subclasses of mail. Rule 53(c) also requires that the impact of each material change on the levels of attributable costs, projected volumes, and rate levels be discussed. The nature and impact of the change will dictate the form of the discussion. On occasion, it may involve the system as a whole. More often, however, the discussion of impacts is likely to be at the subclass level or below. The Postal Service appears to acknowledge this possibility with its comment that “certain cost studies are done below the subclass level (*i.e.*, at the rate category level).”⁵⁶

The Postal Service’s contention that the impact of certain changes cannot be presented at the subclass level warrants brief comment, albeit not for its substance. As support for its position, the Postal Service refers to witness Bozzo’s analyses of mail processing cost pool variabilities, stating that his results did not relate directly to subclasses. The Postal Service notes that witness Van-Ty-Smith distributed mail processing costs to subclasses in the last proceeding.⁵⁷ While the Bozzo example may adequately answer UPS’s suggestion, ambiguity may nonetheless persist as to Van-Ty-Smith’s testimony. Under the proposed rule, it would fall to witness Van-Ty-Smith to discuss the impact of any material changes in the distribution of mail processing costs.

4. ABA/NAPM Comments

ABA/NAPM suggest that the Commission should quantify, perhaps by examples, what constitutes “material effect.”⁵⁸ While the phrase “material effect” appears in the text of order no. 1355 (at 9), it does not, as the Postal Service notes,⁵⁹ appear in the proposed rule. At that point in the text, the phrase is describing the responsibilities of the roadmap witness, which are set forth in proposed rule 53(b). The details of the change, however, are the responsibility of the witness sponsoring the change. See order no. 1355, December 12, 2002 at 9.

In urging the Commission to quantify “material effect,” ABA/NAPM focus on rate changes, noting that changes as small as a few hundreds of a cent are material to them.⁶⁰ Attempting to

quantify “material effect” at the rate cell level, as the commenters appear to suggest, would be impractical and would impose an unwarranted burden on the Postal Service. The central issue is what is material, and that, as the Postal Service recognizes, may vary depending on the circumstances. Thus, while the Postal Service’s observation that small rate changes may be material for one rate schedule but not another may adequately rebut ABA/NAPM’s request for quantification, it also implies the standard of materiality that should govern its response to the rules. As the Postal Service recognizes, small changes, *e.g.*, tenths of a cent, might be material for certain rate schedules, *e.g.*, First-Class, Standard, but unlikely to be for others, *e.g.*, Express Mail, Priority Mail.⁶¹ Accordingly, the issue of materiality fairly answers itself.

In order no. 1355, the Commission provided guidance concerning the types of changes that fall within the scope of the proposed rule.⁶² In brief, as set forth in proposed rule 53(c), the “intent is to capture substantive changes.”⁶³ The Postal Service appears to understand the intent of the proposed rule. In opposing ABA/NAPM’s suggestion, it states that in testimonies it routinely addresses methodological changes considered to be material.⁶⁴ The new rules should not impose substantial additional burden on the Postal Service. Inevitably, the rules will require the Postal Service to exercise some judgment. In its initial comments, the Postal Service indicates it employs a rule of reason when addressing the requirements of rule 54(a). When addressing the requirements of the new rules, the Postal Service would do well to bear that standard in mind. If in doubt, however, it should err on the side of noting the matter in the relevant testimony.

ABA/NAPM also request that the Commission require that the “alternate cost presentation” mandated by rule 54(a)(1) be sponsored by a Postal Service witness rather than simply being submitted as a library reference. ABA/NAPM indicate that sponsorship would be limited essentially to explaining the calculations.⁶⁵ The Postal Service opposes this suggestion.⁶⁶

ABA/NAPM have not shown that the current format fails to provide

⁴⁹ UPS Comments at 4.

⁵⁰ Postal Service Reply Comments at 5.

⁵¹ It will not be necessary for the roadmap witness to explain the reason for the change, provided that the sponsoring witness does.

⁵² Postal Service Reply Comments at 5.

⁵³ UPS Comments at 5. Thus, as proposed, the sentence would read: “The testimony required in this subsection (c) shall also include a discussion of the impact of each such change on the levels of attributable costs, projected volumes, and rate levels for each affected subclass.”

⁵⁴ *Ibid.*

⁵⁵ Postal Service Reply Comments at 5–6.

⁵⁶ *Id.* at 5.

⁵⁷ *Ibid.*

⁵⁸ ABA/NAPM Comments at 2.

⁵⁹ Postal Service Reply Comments at 6.

⁶⁰ ABA/NAPM Comments at 2.

⁶¹ Postal Service Reply Comments at 6.

⁶² PRC Order No. 1355, December 12, 2002 at 8–9.

⁶³ *Id.* at 8.

⁶⁴ Postal Service Reply Comments at 6.

⁶⁵ ABA/NAPM Comments at 3.

⁶⁶ Postal Service Reply Comments at 7–8.