



June 17, 1996

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R-00112261

Ms. Carmen Bass
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265

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Dear Ms. Bass:

**SECRETARY'S OFFICE
Public Utility Commission**

Federal Express Corporation (FedEx) filed the 1995 (operating period 6-1-94 to 5-31-95) Assessment Report Form MT-95 certified May 6, 1996. The filing of this report resulted in a general assessment notice dated 5-29-96 in the amount of \$115,810 (invoice # 96-701433). The assessment provision allows the taxpayer to object to the assessment if it is regarded to be excessive. FedEx does believe the assessment to be excessive for the reasons set forth below:

My letter to you dated 4-25-96 stated that FedEx is an integrated provider of both air and ground transportation services and that our internal systems could not, at this point, distinguish interstate vs. intrastate trucking revenues. Your letter dated 4-30-96 mandated assorted actions that Pennsylvania could take if the report remained not filed, overriding our request for an extension. I advised you that the report we would file would be distorted, but we would make every effort to file it expeditiously.

Our review of the report and the subsequent assessment reveals we did materially overstate the intrastate trucking revenues attributed to Pennsylvania. Due to the time-sensitive deadline we are facing, we had to use our federal excise tax ratio of 68% ground costs vs 32% air costs (based on cost factors). This calculation was then applied against Pennsylvania station revenues. For numerous reasons, this excise tax notice does not properly reflect trucking revenues since it is both under-inclusive and over-inclusive. It is under inclusive in that a significant portion of our trucking costs are backed out of the formula. It is over-inclusive in that it includes a large amount of costs as ground costs which relate to the loading and unloading of aircraft.

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For these reasons, our trucking revenues do not equate to strictly ground costs as determined for excise tax purposes. We sent with the original filing methodology due to the time sensitive deadline we were facing. We are continuing to drive towards a systemic solution that will provide accurate, proven data. We respectfully object to the above referenced assessment. Please advise as to the next steps in this process.

Very Truly Yours,

A handwritten signature in cursive script that reads "Dave Leifer".

Dave Leifer
Managing Director
State & Local Taxes
(901) 922-5557