

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

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Postal Rate and Fee Changes, 2000  
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Docket No. R2000-1

COMMENTS OF  
THE NEWSPAPER ASSOCIATION OF AMERICA  
ON NOTICE OF INQUIRY NO. 1  
(February 23, 2000)

The Newspaper Association of America ("NAA"), hereby respectfully submits its comments in response to Notice of Inquiry No. 1 Concerning Base Year Data.<sup>1</sup> In general, NAA agrees with the Commission that, in general, "using more recent data is the preferred basis for developing future rates."<sup>2</sup> As the public interest in sound ratemaking is advanced by the use of accurate and more current data, NAA sees no reason why the Commission should not make use of Fiscal Year 1999 data as much as reasonably possible.<sup>3</sup>

Using FY99 data would have several benefits. First, doing so would substitute actual data for estimates in a number of different places. For example, this would provide a useful check on the rollforward models, volume forecasts, and revenue requirement forecasts. Using actual data not only would remove the element of inaccuracy that arises from the use of estimates, but also provides a useful means of

<sup>1</sup> Issued Feb. 2, 2000.

<sup>2</sup> NOI No. 1 at 3.

<sup>3</sup> NAA has not seen FY 1999 CRA data and therefore is not in a position to judge

evaluating the models used to generate those estimates for the years leading up to the test year.

Second, unlike the FY98 data which serves as the base year in this case, FY99 data would, as the Notice of Inquiry indicates, reflect the effects of the rate changes implemented arising from the Docket No. R97-1 rate case. This would improve the accuracy of cost estimates, billing determinants, and related rate design considerations. For example, USPS witness Moeller makes a judgmental volume adjustment in his Standard (A) Enhanced Carrier Route rate design to account for the volume effects of the irregular shape parcel surcharge. See Moeller WP1, page 13, n.4. It is necessary for Mr. Moeller to make this adjustment because the base year data do not include the effects of that rate.

Third, greater use of FY99 data could improve the credibility of the rates resulting from this proceeding. NAA notes that a series of pending interrogatories to the Postal Service are intended to determine exactly to what degree the Postal Service's direct case already relies upon FY99 data. To the extent that the Postal Service already makes use of FY99 data, this would give rise to a concern that the Postal Service has done so on a selective basis to facilitate certain rate design proposals. The use of FY99 data more generally could go far to dispelling this suspicion.

The Notice of Inquiry notes that the use of FY99 data could have the practical

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whether its litigation interests would be advanced or harmed by the use of FY99 data.

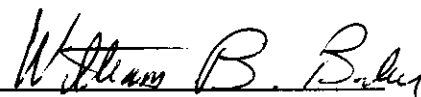
effect of changing the base year to 1999. While this consequence could readily have been avoided had the Postal Service awaited more current data before filing its case, there does not appear to be any legal obstacle to taking current, actual data into effect. Conversely, a decision by an administrative agency to rely on estimated data, when actual data were readily available reasonably early in the case, might seem arbitrary and capricious.

To be sure, FY99 data may result in changes in the cost attribution and cost coverages associated with the Postal Service's proposed rates. Any awkwardness that this might create, however, would seem less important than the desirability of basing rates on current data, when available relatively early in the case as now, rather than on estimates of the same data.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

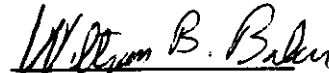
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February 23, 2000

Certificate of Service

I hereby certify that I have this 23rd day of February, 2000, caused to be served the foregoing document upon the United States Postal Service and the Office of the Consumer Advocate in accordance with sections 12 and 20(c) of the rules of practice.

  
William B. Baker