

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

OPPOSITION OF THE UNITED STATES POSTAL SERVICE
TO DMC MOTION TO EXTEND ORDER NO. 1289
TO PARCEL PROCESSING COSTS
(April 11, 2000)

On April 4, 2000, District Photo, Mystic Color Lab, and Cox Sampling (DMC) filed a motion requesting that Order No. 1289 (March 28, 2000) be extended to require the Postal Service to present evidence addressing trends in the processing costs of parcels, similar to the information requested in Order No. 1289 with respect to Periodicals and flats. The United States Postal Service hereby opposes that motion.

The evidence requested by Order No. 1289 is to be filed on April 14th, at the end of this week. The Postal Service is working hard to be able to respond by that date, given the substantial scope of the Order, which has been supplemented by Presiding Officer's Ruling No. R2000-1/31, issued last Friday, April 7, 2000. Ruling 1/31 extended the inquiry by recommending an analysis of the productivity of FSM 881 flat sorting equipment, in connection with consideration of the cost trends identified in Order No. 1289.

The Postal Service believes that, at this stage of the proceeding, it is important that additional burdens of this nature not be imposed on the already full schedule. In this regard, due consideration should be given to the pressures that could be created, not only on the Postal Service's, but on other participants' due process opportunities in the remaining stages of the case. While exploration of the Periodicals/flats inquiry has already been opened, and likely will be pursued, new avenues of special inquiry into the

operational bases for cost trends, without opportunities to explore them as fully, would be unwise, and could result in all parties not having a fair chance to address the issues that have been raised in an effective manner. It is simply not possible to attempt to address every topic that parties might believe could lead to lower rates, in a fashion similar to the topics to be explored under Order no. 1289.

Comparisons of cost trends are possible in many areas. In an ideal world, detailed explanations of the operational justifications for all cost incurrence could be explored in every case. This information might be useful primarily to reinforce confidence in the accuracy of the Postal Service's data, which are already subject to the closest scrutiny possible under the Commission's rules. Those rules, in fact, specify in advance the basic elements of support for the Postal Service's proposed rates that must be presented. In this regard, between general rate cases, the Postal Service maintains massive ongoing data systems, and diligently conducts complicated studies and analyses to advance and refine understanding of cost behavior, and to meet the Commission's and the parties needs for such information. When the case is filed, furthermore, the Postal Service offers numerous witnesses to explain those inquiries, as well as to explain other inquiries that might be raised by parties, within the limits of a manageable case. As imperfect as this approach may be, it is calculated to strike a good balance among all legitimate goals in a general rate case. These include the Postal Service's primary goals, guaranteed by statute, of ensuring that needed revenues can be raised through appropriate rates, which must be recommended in a proceeding that takes no longer than ten months. They also include mailers' and competitors' goals of ensuring that rates are designed on a fair and equitable basis, in accordance with the policies in the Postal Reorganization Act. Finally, the Commission needs to ensure that it can recommend rates that are supported by sound record evidence, and that are consistent with the Postal Service's Request.

Within this spectrum, the added objective of exploring exhaustively the operational bases for cost incurrence in order to evaluate postal management's operational decisions is seldom appropriate. Even where it is conceivably reasonable, such a focus stands well below the primary objectives of general rate cases, in relation to the Postal Service's and the Commission's relative functions in the statutory scheme.

In this regard, the Postal Service acknowledges the Commission's stated objective in Order No. 1289 to formulate rates and classification recommendations for Periodicals mail that might assist the Postal Service in changing a negative trend in costs. Such recommendations, if they are appropriate, warrant consideration by the Governors and postal management in carrying out their responsibilities to run the Postal Service. The proliferation of inquiries that might lead to such recommendations, however, must be carefully limited within the context of the Commission's, the Postal Service's, and the parties' time and resources in a general rate case.

In this regard, the objectives sought by opening a new avenue of special inquiry, and requiring the Postal Service to present additional testimony at this stage, must be assessed in light of the particular circumstances. Here, DMC expresses concern over cost trends for parcels; however, it would appear (from the Commission's web page) that DMC did not file any discovery on such trends, or on any other topic in the case, until the final week of discovery. While there might be many reasons for that restraint, it undercuts any justification for requiring additional testimony on operations, when the cost data and information targeted are otherwise supported on the record and have been subject to challenge and scrutiny from the beginning of the case. Nor has DMC identified or offered any explanation for needing to propose the types of rate and classification assistance the Commission cited as the motivation for requesting a witness on Periodicals and flats cost. In fact, DMC does not offer a concrete rate or classification objective at all, other than to decry the alleged "fact that parcel handling

costs appear to be wildly out of control." In light of the circumstances here, the current stage of the current proceeding, and the appropriately limited goals of the ratemaking process, the Postal Service submits that this objective is not sufficient to require deviation from the current course of the case.

The motion of DMC to expand the scope of Order No. 1289 should be denied.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Eric P. Koetting

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-299 Fax -5402
April 11, 2000