

RECEIVED

MAY 4 1 59 PM '00

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

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

**POSTAL RATE AND FEE CHANGES, 2000 ) Docket No. R2000-1**

**Response of the Coalition of Religious Press  
Associations to Notice of Inquiry No.2  
Concerning Base Year Data**

The Coalition of Religious Press Associations (CRPA) submits these brief comments in response to the Commission's April 21 inquiry regarding the appropriate use of FY 1999 data. These data were not available at the beginning of this case, but are now available because of the April 4 filing of the FY 1999 Cost and Revenue Analysis and its supporting documents.

Certainly there is risk of not meeting the statutory ten month hearings and recommended decision deadline if every cost and proposed rate has to be recalculated. Most USPS witnesses have already appeared; will some of them have to be recalled? Will discovery deadlines have to be re-imposed and extended if 1999, instead of 1998, is the base year? Indeed, the Commission's helpful revenue per piece comparisons of the different base years, along with comparative rates using the Commission's methodologies, indicate that substantial differences in revenues and costs do exist when a different base year is used. One example alone demonstrates the potential magnitude of what is at stake: There is a 4.62% increase in actual 1999 costs per piece for the volume-heavy ECR subclass using the 1999 CRA data over the estimate used by USPS to date in the case. Using the Commission's methodology, a similar 4.6% increase in costs occurs, even though the Commission's methodology finds an initial higher cost for ECR over the estimated, pre-CRA data.

**At the least, USPS needs to inform the Commission and the parties whether its roll forward model can quickly absorb the new, and more reliable data. It then needs to decide if volume projections are influenced and if so, how, by the new costs within the base year model.<sup>1</sup> Finally, the Service needs to determine whether, as in R97-1, supplemental testimony is required to explain significant changes not only in the base year but in the before and after test year information, upon which the recommended rates will be based. If this testimony is required, and the schedule is stretched out as a result, USPS has only itself to blame.**

**However, the rules of the Commission provide guidance, and the rules must be followed regardless of whether the new data helps or hurts a subclass of mail.<sup>2</sup> Rule 54(f) of the Commission states that “every formal request shall set forth the total actual accrued costs during the most recent fiscal year for which they are reasonably available.” Had USPS delayed its filing by only several months, the information needed to comply with the Rule would have been available. There is nothing magic about USPS’ desire to implement higher rates in January, 2001. The process of collecting and organizing the 1999 CRA information was well underway and this annual report of costs, based on a year which concluded seven months ago, was scheduled to emerge, rate case or not. USPS had to know of the difficulties in using soon to be obsolete billing determinants and costs data from 1998. As the Commission noted in its first Notice concerning Base Year Costs:**

---

<sup>1</sup>USPS Witness Tolley used 1999 volume projections which are compared with 1998 cost data. Are elasticities the same however if 1999 volumes are applied to rates based on 1999 costs? In some cases, like presort letters and ECR, the cost differences between the two years are substantial.

<sup>2</sup>In CRPA’s situation, the costs per piece for nonprofit periodicals, the subclass used by CRPA members, significantly increase when the actual data for 1999 are used. Thus rate increases of approximately 20% for many CRPA members would be even higher under the new cost data, assuming that USPS rate design and cost attribution levels are left unchanged.

**“However, use of FY 1998 data not only necessitates estimating three fiscal years, 1999, 2000, and the test year, 2001, but also fails to capture the actual effects of the Commission’s recommendations in Docket R97-1, including, most critically, costs and 1999 billing determinants that reflect actual usage of existing rate categories.” [footnote omitted].**

**Were this proceeding to accept FY 1998 data for some purposes and FY 1999 data for other purposes, all parties would be dealing with an apples-and-oranges situation. Nothing but confusion could result. The example of escalating flats processing costs which increase out of proportion to other kinds of mail would only worsen with estimated, archaic data layered upon already mysterious cost behavior.**

**CRPA therefore urges the Commission to insist that FY 1999 data be used, now that it is available. The rules of the Commission give a level playing field to all participants, large and small alike. No one party has the resources of USPS; no one has the kind of access to those data required by the rules like USPS. USPS, of all parties, should have complied not only with the letter, but with the spirit of the rules. If delay of this case occurs because of the selection of an inapposite test year, when the correct test year data was in its final formulation, then it is USPS which is responsible. The Postal Service should not secure higher revenues until accurate costs, and thus revenues, are applied to the record evidence.**

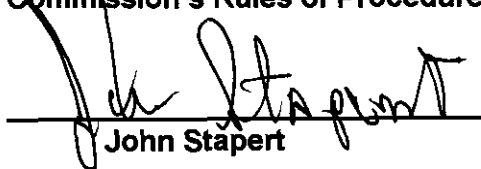
Respectfully submitted,



**Stephen M. Feldman**  
Counsel, CRPA  
601 Pennsylvania Ave NW  
South Building, STE 900  
Washington, D.C. 20004  
Tel. 202-463-4960  
Fax 202-463-4965  
E-Mail [sfeldman@justice.com](mailto:sfeldman@justice.com)

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document to all participants of record in accordance with Rule 12 of the Commission's Rules of Procedure.

  
\_\_\_\_\_  
John Stapert

May , 2000