

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

POSTAL RATE AND FEE CHANGES, 2000

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY  
Docket No. R2000-1

MAIL ORDER ASSOCIATION OF AMERICA  
TRIAL BRIEF

**INTRODUCTION**

The Mail Order Association of America ("MOAA") consists of "Mail Order" companies. Principal use of the Postal Service is for the delivery of Standard Mail A and Bound Printed Matter catalogs.

**STANDARD MAIL A ECR**

The Postal Service has presented testimony that demonstrates that the current pound rates for Standard Mail A, and in particular, Standard Mail A ECR, are too high and should be reduced. The testimony of witness Daniels (USPS-T-28) establishes that the current rates are too high, and that even under the Postal Service's proposal, Standard Mail rates would increase as a result of increased weight far more rapidly than the cost increases caused by increased weight.

Certain parties have attacked the proposed pound rates including contentions that IOCS data should not be used for the purpose of determining the affect of weight upon postal costs.<sup>1</sup> MOAA anticipates the filing of testimony that will demonstrate that

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<sup>1</sup> Halid VP/CW-T-1, White AAPS-T-1, Tye NAA-T-1.

criticisms of the proposed pound rates, and the testimony upon which those pound rates have been based, fail to impeach the Postal Service's case.

The proposed overall rate levels for Standard Mail A are high. Certainly, for Standard Mail A ECR, the proposed rates, that result in a cost coverage in excess of every other class or subclass of mail, are the highest that can possibly be justified. The proposed ECR rates are greatly in excess of Ramsey rate levels, as demonstrated by the testimony of Postal Service witness Bernstein (USPS-T-41). MOAA does not support the mechanical use of Ramsey pricing for the purpose of establishing the rates for any type of mail. The pricing factors of the Act require a more complex analysis. At the same time, the establishment of Standard Mail A ECR rates that are so far in excess of Ramsey levels is self-defeating. The Postal Service has concluded that First-Class Mail volumes are in serious jeopardy as a result of diversion to electronic alternatives. Regardless of whether Postal Service projections are precisely correct, there is no knowledgeable observer that quarrels with the proposition that electronic diversion of First-Class Mail is a significant threat. Further, the diversions cannot be significantly influenced by price changes because electronic alternatives are cheaper than any price that could conceivably be offered by the Postal Service.

Therefore, the importance of Standard Mail A to the continued maintenance of a viable Postal Service will become even more vital than it is currently. Standard Mail A prices should not be set at levels that drives mail volumes out of the system that are needed to maintain the viability of the Postal Service. Even without regard to Ramsey prices, the pricing factors of the Act do not justify such high rates for Standard Mail A ECR.

MOAA will submit testimony rebutting those witness that are supporting higher rates for Standard Mail A than have been proposed by the Postal Service.

### **Bound Printed Matter**

The Postal Service has proposed large rate increases for Bound Printed Matter because of sharp cost increases. Additionally, the Postal Service has proposed to eliminate the local zone and to initiate destination discounts for entry at the DDU, DSCF and DBMC levels. In doing so, however, the Postal Service has proposed to pass-through less than 100 percent of the calculated cost savings resulting from entry at those three levels. For DDU it has proposed a pass-through equal to only 45 percent of the savings (Kiefer USPS-T-3).

MOAA has proposed a modification of the destination entry discounts (witness Prescott, MOAA-T-1). Prescott's testimony proposes to increase the pass-through for the DDU level to 50 percent. The Postal Service has consistently supported the proposition that both the Postal Service and mailers are better served by entry at the Postal Service facility closest to the place of delivery. The drop ship discount schedule that has been proposed for BPM by the Postal Service does not meet its own standard. The schedule proposed by the Postal Service will do nothing to encourage DDU entry and may well lead to no use of the DDU level of entry. The discount schedule proposed by the MOAA is more consistent with both the short and long term goals of the Postal Service.

Additionally, the BPM cost coverage of 118 percent proposed by the Postal Service is excessive. The Postal Service has failed to take into proper account the fact

that fifty percent of BPM mail is books and therefore entitled to ECSI consideration. The extent to which the ECSI value of BPM has been given short shrift is demonstrated by the proposed 101 percent cost coverage for Periodicals, notwithstanding the fact that the Periodicals class contains as much advertising as BPM. The advertising within Periodicals is intrinsic to the particular periodical whereas Bound Printed Matter mail is typically either all advertising or all editorial. There is no discernable reason, however, to deny the subclass the full ECSI benefit merely because of the pattern of traffic.

MOAA is particularly concerned about the failure to give BPM full ECSI consideration because the continued opening of BPM to nonadvertising materials has lead to a shift in the pattern of use that has resulted in higher costs by opening the subclass to mailers not presenting low cost mail entered deep into the system, as had been the pattern for BPM catalogs. Catalog users ought not be penalized by the entry of higher cost editorial materials without being given the benefit of the fact that the higher cost materials have ECSI value.

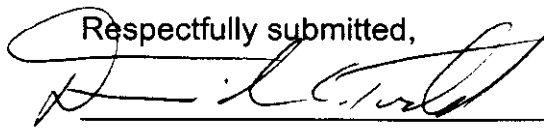
### **REVENUE REQUIREMENT**

The overall rate levels for Standard Mail A ECR and BPM are excessive and should be lowered. This could be accomplished by a modest decrease in the Postal Service's requested revenues, in particular by a reduction in the requested contingency amount.

## **CONCLUSION**

Two serious errors in the Postal Service's filing are an excessive rate increase and cost coverage for Standard Mail A ECR, and an insufficient discount for BPM mail entered at the DDU. The Postal Rate Commission should correct both of those errors by appropriate rate adjustments.

Respectfully submitted,



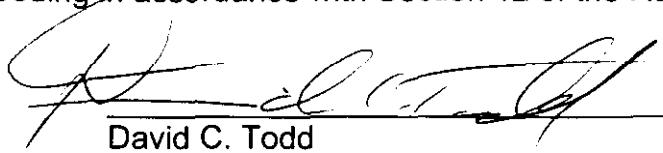
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America

Date: June 29, 2000

### **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.



David C. Todd

Dated: June 29, 2000