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**BEFORE THE
POSTAL RATE COMMISSION**

Docket No. R2000-1

POSTAL RATE AND FEE CHANGES, 2000

**TRIAL BRIEF OF
THE DIRECT MARKETING ASSOCIATION, INC.**

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INTRODUCTION

The Direct Marketing Association, Inc. ("The DMA") respectfully submits this trial brief, which sets forth The DMA's preliminary views on several significant issues in this proceeding: (1) the size of the revenue requirement requested by the Postal Service; (2) the appropriate allocation, based on the application of the statutory pricing factors to the evidence of record in this proceeding, of institutional costs to Standard (A) commercial mail; (3) the proposal to maintain the rate for single-piece First Class letters ("SPFC") at 33 cents; and (4) the proposal to maintain the SPFC rate "stable" through two omnibus rate cases.

I. THE USPS HAS SIGNIFICANTLY OVERSTATED ITS REVENUE NEEDS.

A. The USPS-Proposed Contingency Is Exorbitant.

Under the Postal Reorganization Act, the Postal Service revenue requirement can include "a reasonable provision for contingencies." 39 U.S.C. § 3621. In this case, a broad coalition of groups has demonstrated that the Postal Service's proposed contingency allowance of 2.5% of its costs, which is two and one-half times greater than the contingency in R97-1, is far too large.¹ The Commission should approve a contingency no more than 1% of USPS costs.

¹ See, e.g., Testimony of Richard E. Bentley (MMA-T-1); Lawrence G. Buc (DMA-T-1); Robert E. Burns (OCA-T-2); Edwin A. Rosenberg (OCA-T-3).

As the Commission has noted in previous rate proceedings, the purpose of the contingency is to cover “expenses which could be neither foreseen nor prevented through the exercise of honest, efficient, and economical management.”² Thus, the contingency acts as a “cushion against unforeseeable events.”³ To evaluate the appropriate scope of this financial cushion, the Commission has made it clear that management’s perception of these events “must be articulated to a reasonable degree in order to satisfy the substantial evidence requirement.”⁴

The only justification offered for the sharp increase in the size of the contingency in this case is witness Tayman’s vague and “largely subjective” determination that the Postal Service could just use the extra money.⁵ OCA witness Burns has emphasized, however, that “[i]t is clear from the history of Commission proceedings that the Postal Service cannot justify a contingency reserve as being reasonable simply because management deems it so. Yet that is what the Postal Service has done in this case.”⁶ Tayman provides no data, studies, or supporting information to back his contingency request, and his proposal should be rejected.

To the extent that Tayman does offer reasons in support of a much larger contingency, those reasons mainly involve circumstances that are foreseeable and thus not capable of supporting a contingency allowance. For instance, Tayman suggests that a larger contingency is justified because volume growth has been below historical norms and health benefit costs are likely to increase sharply. But Tayman also concedes that “estimated volume

² Op. R76-1 at 52.

³ Op. R80-1 at ¶10109.

⁴ Op. R87-1 at ¶2073.

⁵ USPS-T-9 at 43.

⁶ OCA-T-2 at 8.

and delivery network changes and changes in the level of costs in employee benefits have been accounted for in the estimation of test year revenues and expenses.”⁷ As a result, virtually all of Tayman’s own justifications for a larger contingency are not valid.

Moreover, as DMA et al. witness Buc points out, Tayman’s statement that a larger contingency allowance is necessary because rates go into effect part way through the test year is meritless: the Commission has previously stated that the revenue loss from an implementation of rates part way through a test year cannot properly be part of the contingency.⁸ Thus, Tayman’s subjective belief in a greater contingency allowance in this case is wholly at odds with Commission precedent.

Furthermore, Tayman’s proposed contingency increase is not supported by the variance analysis. Although Tayman asserts that variance analysis is not helpful in determining the appropriate size of a contingency, that has not been the Commission’s view. In R77-1, for example, the Commission stated that “we find appropriate the utilization of variance analysis as a starting point in evaluating the Postal Service’s contingency request.”⁹ And as OCA witness Rosenberg has testified in great detail, the variance analysis does not support a 2.5% contingency.¹⁰

Finally, Tayman’s proposal makes no sense from a policy perspective because, as witness Buc states, the Postal Service is in far better fiscal shape now than in past years. USPS has improved by approximately \$2.2 billion in equity since R97-1, and \$4.6 billion since R94-1.

⁷ Tr. 2/280.

⁸ Op. R94-1 at II-14.

⁹ Op. R77-1 at 31-32.

¹⁰ OCA-T-3 at 17-22.

Under these circumstances, Tayman's request for a substantial increase in the contingency is unreasonable and unwarranted.

For all of these reasons, the contingency in this case should be 1% at most.

B. The USPS Underestimates The Cost Savings Created By The Roll Forward Program For Supervisors.

As in R97-1, the USPS has again significantly underestimated the cost savings generated by the rollforward model. Correcting this basic mistake would reduce the revenue requirement by approximately \$93 million.

In R97-1, the Commission stated that, with respect to the rollforward program, the conclusion that "supervisors' work hours and costs should go down when their managed employees' work hours and costs go down is both consistent with the technique the Postal Service has used in this case to project test year supervisor costs and essentially un rebutted."¹¹ Even though the USPS is using a rollforward program virtually identical to the one at issue in R97-1, in this case the Postal Service has declined to reduce supervisor work hours (and labor costs) accordingly. The Postal Service's position is erroneous substantially for the reasons stated in R97-1 and should be corrected.

C. The Postal Service Understates The Cost Savings Generated By The AFSM 100.

The installation of AFSM 100 machines enables the Postal Service to expand its capacity to handle flats that are currently processed manually. Witness Tayman, however, has underestimated the savings created by the installation of the AFSM 100 machines by approximately \$200 million.

¹¹ Op. R97-1 at 62.

As witness Buc demonstrates in his testimony, Tayman's data on the impact of the AFSM installation does not support his cost reduction calculations. Even after several attempts at correction, Tayman still uses inconsistent estimates of the workhour savings created by the AFSM 100. By using other Postal Service data and some reasonable assumptions, Mr. Buc derived a reliable estimate of the resulting savings. This estimate is \$202.1 million larger than that made by witness Tayman. The revenue requirement should be reduced accordingly.

D. Conclusion.

For the reasons stated, the Commission should correct the Postal Service's inflated revenue requirement figures by \$1.3 billion as detailed below in Table I.

TABLE 1
TEST YEAR AFTER RATES
REVENUE REQUIREMENT ADJUSTMENTS

	USPS (\$Thousands)	DMA (\$Thousands)	ADJUSTMENT (\$Thousands)
Contingency	\$1,679,766	\$ 668,978	\$ (1,010,788)
Rollforward Flaw			(92,943)
AFSM 100	169,379	371,510	(202,131)
Total			\$ (1,305,862)

II. STANDARD (A) RATES SHOULD NOT BEAR A HIGHER SHARE OF INSTITUTIONAL COSTS THAN PROPOSED BY USPS.

Witness Mayes has proposed a cost coverage of 132.9% for Standard (A) Regular Mail and 208.8% for Standard (A) ECR. These proposals are amply supported by the statutory pricing criteria of § 3622(b) of the Postal Reorganization Act and by the record. The

Commission should not increase the institutional cost burden on Standard (A) beyond the level proposed by the Postal Service.

A. The Record Supports The USPS-Proposed Institutional Cost Burden For Standard (A) Commercial Mail.

Because First Class mail and Standard (A) mail account for a substantial majority of postal revenues, one of the most important pricing decisions to be made by the Commission is the relationship between the institutional cost contributions made by these two classes. Based on the application of the statutory pricing criteria to the evidence of record in this case, the USPS-proposed cost coverages for the Standard (A) commercial subclasses -- especially as compared to the First Class subclasses -- are reasonable and allocate an appropriate share of the institutional cost burden to Standard (A).¹² Each of the relevant criteria¹³ supports giving First Class mail a substantially higher cost coverage than Standard (A).¹⁴

1. Value Of Service.

The value of service for a class of mail (Criterion 2) is determined primarily by measuring its long-run own-price demand elasticity. Witness Mayes, with the support of calculations by witnesses Tolley and Musgrave, testified that demand for First Class mail is approximately three times more inelastic than demand for Standard (A) mail. These elasticity figures reflect the wider range of consumer services associated with First Class mail, which

¹² The USPS proposes a cost coverage of 194% for First Class Mail.

¹³ Some of the statutory factors, such as degree of preparation, simplicity of rate structure, and educational value, are not particularly relevant to the relative cost coverages of Standard (A) and First Class.

¹⁴ Witnesses Callow and Clifton, who contend that Standard (A) cost coverages are "unfairly" low compared to First Class mail, focus only on the first of the nine statutory criteria. They do not contest the evidence amassed in this record, nor do they contend that the cost coverage proposals are inappropriate when evaluated against the other statutory pricing criteria.

constitute a higher intrinsic value of service, including: (1) travel by air for trips involving considerable distance; (2) an extensive collection system; (3) high priority of delivery; and (4) free forwarding. In all of these respects, Standard (A) lags well behind First Class. Thus, this statutory criterion supports a substantially higher cost coverage for First Class as compared to Standard (A).

2. Effect Of Price Increases.

Criterion 4 requires the Commission to consider the impact of the proposed rates on the public and competitors to the Postal Service. As witness Mayes points out, the proposed rate increase for First Class mail is one of the lowest increases proposed in R2000-1. By contrast, the proposed rate increase for Standard (A) is well above system average. These results belie any argument that Standard (A) rates should be any higher than as proposed by the Postal Service.

3. Available Alternatives.

Criterion 5 requires an examination of the available alternatives to a particular class of mail service. The more alternatives that are available, the more sensitive consumers will be towards price increases in that particular mail class. With respect to this factor, it is clear that First Class mail has far fewer alternatives than Standard (A) mail. Although email and other forms of electronic correspondence have emerged as viable options for First Class users, those are the only reasonable substitutes for First Class mail. Standard (A) mail, by contrast, faces stiff competition for advertising dollars from the Internet as well as from traditional media like newspapers, magazines, radio, and television. Thus, Standard (A) is much less capable of supporting a high cost coverage than First Class mail.

B. The USPS Treatments Of Ramsey Pricing Principles And Unit Contributions To Institutional Costs Are Sound.

Beyond the statutory criteria listed above, two other components of the USPS-proposed rates merit discussion here: (1) the proper role of a “Ramsey Pricing” analysis; and (2) the appropriateness of considering levels of contributions to institutional costs on a per-unit basis.

The USPS was correct in its conclusion that Ramsey Pricing offers a useful framework for evaluating the efficiency of a proposed rate schedule. Moreover, as witness Mayes points out, the Postal Service did not use Ramsey Pricing directly in crafting its proposals in this case. Instead, “[m]ovement toward or away from Ramsey prices was considered in the development of the rate level proposals in this but did not significantly affect conclusions.”¹⁵ The Postal Service’s use of Ramsey Pricing analysis in this manner is completely appropriate and should be approved by the Commission.

In addition, the Postal Service correctly refrained from giving unit contribution levels a significant role in evaluating relative institutional cost burdens. Awareness of unit cost contribution is useful as a check against extreme results generated by the application of the statutory pricing criteria. In general, however, unit contributions are poorly suited as a measure of the effect of the statutory pricing criteria on relative institutional cost burdens.

III. THE REASONS ADDUCED FOR MAINTAINING A 33-CENT SPFC RATE LACK MERIT.

Until the record in this case is complete, DMA will not be able to take a firm position concerning the SPFC rate that the Commission should recommend for a one-ounce First

¹⁵ USPS-T-32 at 19.

Class letter. However, the arguments raised to date in favor of maintaining the SPFC rate at 33 cents lack merit. These arguments, made primarily by OCA witness Callow and ABA&NAPM witness Clifton, purport to draw conclusions from trends calculated over the past 10 years. These presentations share the fatal flaw that they are not based on the application of statutorily mandated pricing factors to the evidence of record in this proceeding. Importantly, these witnesses do not argue that the Postal Service's analysis of these factors is erroneous.

These witnesses also share the rhetorical device of proclaiming loudly and often that the First Class rates are "unfair," "discriminatory," not to mention "inequitable" and "out of hand."¹⁶ Under applicable law, however, mere rhetoric cannot substitute for a careful analysis of the evidence.

A. Arguments Based On Decade-Long Trends Are Legally Insufficient.

The centerpiece of OCA witness Callow's testimony is a series of calculations resulting in what he claims are the average "benchmarks" that the Commission "intended" with respect to the relative cost coverages of First Class and Standard (A) mail.¹⁷ Witness Callow then proceeds to argue that First Class has made "excess" contributions to institutional costs over the 1990s.¹⁸ Based on his calculations, witness Callow argues that First Class letter mail has contributed net additional revenues to the Postal Service in the amount of \$6.8 billion.¹⁹ Relying on this number, Callow argues that the Commission should, in this case, "mitigate" the

¹⁶ See, e.g., ABA&NAPM-T-1 at 60.

¹⁷ Witness Callow calculates that the "intended" average First Class Letters mark-up index benchmark is 1.263.

¹⁸ OCA-T-6 at 23, Table 11.

¹⁹ OCA-T-6 at 22.

institutional cost burden of First Class mail on the ground of “simple fairness,” stating that a 33-cent First Class stamp “would enhance fairness and equity.”²⁰ Witness Callow further states that “the trend of a higher institutional cost coverage . . . in excess of that intended by the PRC requires mitigation.”²¹

Witness Callow’s argument is fraught with misstatements and legal insufficiencies. For example, it is wholly erroneous to state that the Commission “intended” any result concerning average rates over the past decade, or any other period for that matter. The Commission’s intentions were specifically stated in each of its opinions and related solely to the evidence of record in each respective proceeding. In short, witness Callow’s average index benchmark is a mere figment of his creative mathematical imagination, and is just as useful.²²

Second, Callow argues that a 33-cent First Class stamp is appropriate in this proceeding because it was “lawful” when recommended in Docket No. R97-1.²³ He totally misses the point. Whether a 33-cent First Class stamp was lawful based on the record in R97-1 is totally irrelevant to the question, being actively litigated in this case, whether a 33-cent stamp remains lawful given the record in this proceeding. It is the record in this case, not the record in R97-1, that controls the lawfulness of the rates recommended by the Commission here.

²⁰ *Id.* at 27.

²¹ *Id.* at 28.

²² To take another example, witness Callow does not make any attempt to justify his choice of 10 years as the period over which to measure his “benchmark.” Why not 20 years? Why not the entire 30 years since the passage of the Act?

²³ DMA/OCA-T6-3.

Finally, witness Callow has totally failed to engage in the required analysis of the nine statutory pricing factors in making his 33-three cent proposal.²⁴ He does, of course, state his conclusion that the USPS-proposed rate structure is “unfair,” but this assertion does not amount to a demonstration that the proposed rates are unreasonably discriminatory, which is the essential element of a determination of “unfairness.”

ABA&NAPM witness Clifton engages in a similar analysis, but without computing an average, decade-long index. He points out that recent First Class cost coverages have been higher than system-wide cost coverage and then protests that the USPS proposals are “UNFAIR!” This assertion is, however, totally unsupported by evidentiary references. The frequency of repetition does not endow this otherwise unsupported assertion with added strength.

The fatal weakness shared by witnesses Callow and Clifton is that they fail to base their positions on the evidence of record in this proceeding relevant to the statutorily mandated pricing factors. They fail to address, for example, the relative size of the proposed rate increases, a factor extremely pertinent under Criterion 4. They fail to consider the acknowledged problems underlying some of the important cost calculations, including those relating to processing of flats, particularly relevant under Criterion 3. They fail to consider the effect that capital investment decisions have on USPS cost incurrence, which is relevant to Criterion 3. They fail to consider relative service standards, the cost implications of which do not appear in the cost data, relevant under Criterion 2.

Finally, in addition to totally failing to make the required analysis of the statutorily mandated pricing factors, witnesses Callow and Clifton fail to address the (numerous

²⁴ See *id.*

and important) changes that have occurred in the last decade. Since 1990, automation has come to play a much more significant role in Postal Service operations; and major changes have occurred in the economic environment in which the Postal Service operates, including the growing importance of electronic communications.

B. Conclusion.

For the foregoing reasons, The DMA expects to argue upon the conclusion of these proceedings that the Commission should reject the positions of the OCA and ABA&NAPM that would increase the relative cost contribution of Standard (A) mail.

IV. THE OCA'S "RATE STABILITY" PROPOSAL IS UNWORKABLE AND PROBABLY UNLAWFUL.

While certainly creative, the OCA's "rate stability" proposal entails numerous legal and practical difficulties and should not be recommended by the Commission.

The OCA has proposed that the SPFC rate be held stable over two rate proceedings by: (1) implementing an SPFC rate in one case ("Case No. 1") that would be higher than the Commission would otherwise calculate (the "calculated rate"); (2) keeping track of the "excess" revenues in a special "reserve account;" and (3) using the amounts in the Reserve Account to offset revenue losses when the same SPFC rate is implemented in the succeeding omnibus rate case ("Case No. 2"). The OCA purports to find several benefits in this proposal, principally: (a) benefiting the consumer through SPFC rate stability over a period anticipated to be four years long, and (b) basing the rest of the First Class rate structure on an SPFC rate freed from the integer constraint. The rate stability proposal would also permit the non-SPFC rates to increase in smaller, more frequent steps, a result that is purportedly favored by business mailers.

Even if the Commission finds that each of these purported benefits is valid, the Commission should not recommend the rate stability proposal, because it has numerous legal and practical flaws.

A. The “Rate Stability” Proposal Is Unworkable.

From a practical point of view, the OCA’s rate stability proposal will not accomplish the desired goals and will create major distortions in the First Class rate structure.

1. It Is Doubtful That The Reserve Account Will Accrue Sufficient Revenues To Permit The SPFC Rate To Remain Unchanged In Case No. 2.

At the core of the OCA’s proposal is the establishment of a reserve account in which the “excess” revenues from the Case No. 1 rates would be accumulated. However, this reserve account would not be a segregated trust or similar fund into which financial assets would be deposited; it would be a mere accounting convention.²⁵ Thus, the “excess” revenue would continue to be accrued when earned, and there would not be an actual shift of USPS revenues from the earlier period to the later period.

Moreover, the notion that the amount of the (so-called) “excess” revenue accrued under Case No. 1 rates would be adequate to offset the (very real) revenue shortfall under Case No. 2 rates is highly speculative. The OCA’s illustration²⁶ conveniently assumes a large differential between the actual SPFC rate and the “calculated” rate, producing a positive balance in the reserve account large enough to offset the revenues needed in the last two years of the analysis. A more realistic assumption concerning the Case No. 1 “calculated” rate would not produce sufficient off-setting revenues, thereby raising serious questions as to what SPFC rate

²⁵ DMA/OCA-T1-5.

²⁶ OCA-T-6 at 40, Table 13.

the Commission should recommend in Case No. 2. Thus, witness Gerarden's assertion that the rates stability proposal "would permit the rate to remain unchanged during the second rate case"²⁷ is highly suspect.²⁸

2. The "Rate Stability" Proposal Would Primarily Affect Business Mailers.

The rate stability proposal is based upon the premise that household mailers would be willing to pay somewhat higher SPFC rates in an initial two-year period in exchange for paying somewhat lower SPFC rates in a subsequent period, with the added "convenience" that they would not have to deal with a rate change in the middle of these four years. However, the SPFC rate would be identical for all types of mailers,²⁹ raising serious questions as to the validity of the statement that the proposals would maintain the integer rate "for households."³⁰ As OCA witness Callow acknowledges, the vast majority of the mailers affected by the rate stability proposal would be business mailers.³¹

It is not at all clear whether the mailers who would be primarily affected by the rate stability proposal, *i.e.*, business mailers, would share the view that they should pay higher

²⁷ OCA-T-1 at 6.

²⁸ Admittedly, the OCA has addressed this possibility and has provided a conceptual "safety valve" in an attempt to deal with situations such as this. The problem, of course, is that the "safety valve" would entail postponing the implementation of rate stability for a period long enough to permit the reserve account to be built up to an adequate level. The very need for a "safety valve" constitutes an admission by the OCA that its proposal may very easily not work in the manner intended.

²⁹ DMA/OCA-T6-7.

³⁰ OCA-T-6 at 36.

³¹ OCA witness Callow estimates that less than 15 percent of the "excess" revenue would come from household mailers. DMA/OCA-T6-5.

rates in the early years in exchange for the OCA's proposed "rate stability," which they might easily view as contrary to their business interests as well as overly speculative.

3. The "Rate Stability" Proposal Would Distort Workshare Incentives.

Under the OCA proposal, the rest of the First Class rate structure would be based upon the "calculated" SPFC rate.³² The OCA asserts that, because this calculated rate would be freed from the integer constraints, worksharing discounts could be based more closely on actual cost differences. The OCA ignores the critical fact that the actual First Class rate structure would reflect substantial distortions from this theoretical construct. Mailers, in fact, would have a choice between mailing at the (whole-cent) SPFC rate or at workshare rates based on cost differences from a (non-whole-cent) "calculated" SPFC rate. Thus, the "real world" rates from which mailers would be choosing would, by definition, not reflect "real world" cost differences. These distortions would create artificially high workshare incentives under Case No. 1 rates and artificially low workshare incentives under Case No. 2 rates.

During all four years, uneconomic choices would be made by mailers because they would not be based upon actual USPS cost differentials.

B. The "Rate Stability" Proposal Is Legally Flawed.

Contrary the OCA's claims,³³ the rate stability proposal entails significant legal problems, and it is doubtful that the Commission has the authority to recommend it.³⁴

³² DMA/OCA-T1-2.

³³ See, e.g., OCA-T-1 at 6.

³⁴ It is curious, in this respect, that the OCA ducked a direct question from DMA on this subject. DMA/OCA-T1-1.

OCA witness Gerarden alleges that the proposal would “safeguard the prerogatives of the Postal Service and the rights of all participants in postal rate cases.”³⁵ This statement is conclusory and unsupported by any analysis of several difficult questions. These questions include the following:

1. How can the prerogatives of Postal Service management be maintained, when the SPFC rate in Case No. 2 would be seriously constrained? If the proposal means anything, it would predetermine this rate, thereby significantly tying the hands of the Postal Service concerning the rate that is the single most important feature of the entire USPS rate structure.

2. Does the Act permit the recommendation of rates that would “break even” over two cases, a period estimated to be four years in length? The break-even requirement of Section 3621 has been interpreted for the past thirty years as requiring an analysis of USPS revenues and costs in a single test year. Although the statute does not contain an explicit “one-year Test Year” requirement, it is hard to see how the requirements of Section 3621 can be met without, at a minimum, a full analysis of the entire four-year period during which the rates in question are estimated to be in effect. At a minimum, therefore, it would seem that the OCA proposal would require major increases in the evidence that the Commission and all parties would need to analyze in any given case.

3. Would SPFC mailers be able to appeal the Case No. 1 SPFC rate on the grounds that the rates would be estimated to produce excess revenues in the Test Year? In the

³⁵ OCA-T-1 at 6.

OCA's illustration,³⁶ this "excess" amounts to more than \$500 million. Would mailers agree that they should pay this "excess" in exchange for a vague commitment to maintain "rate stability" in the future?

The OCA's presentation is deficient in that it does not address, much less address adequately, these and other important legal questions. At this point in this case, it is perhaps premature to come to any definitive conclusions on these issues. Suffice it to say that the legal status of the OCA proposal is in serious doubt and requires further, detailed justification before it should be seriously considered by the Commission.

C. The "Rate Stability" Proposal Is A Fall-Back To The OCA's 33-Cent SPFC Proposal.

Although he does not admit it explicitly, the OCA is proposing the "rate stability" proposal as a fall-back alternative to his main argument, *i.e.*, that the 33-cent SPFC rate should be maintained in this case. Witness Callow's illustration assumes that the SPFC rate will be 34 cents,³⁷ and he states explicitly that "if the Commission maintains the current First Class rate at thirty-three cent, . . . I would not expect the Commission to recommend my rate stability proposal in this proceeding."³⁸

In an important sense, therefore, the OCA is making his "rate stability" proposal in the form of a "second prize." In other words, he seems to be saying, "what I really want is the 33-cent SPFC rate to be maintained in this case, but if I can't get that, I want to lay the foundation for rate stability in the next case."

³⁶ OCA-T-6 at 40, Table 13.

³⁷ *Id.*

³⁸ DMA/OCA-T6-8.

The DMA respectfully submits that this type of argument is inappropriate and inconsistent with the Act. The OCA is arguing for rate stability in this case without the rate stability proposal having been adopted in R97-1. Part of his argument is that First Class mail has been making “excess” contributions to institutional costs over the past decade. If the Commission had established a “reserve account” in R97-1 of the type that the OCA is proposed, it would have succeeded in doing nothing more than giving opponents of the USPS-proposed rates an additional argument to use in the Court of Appeals, *i.e.*, a quantification of the extent to which the USPS-proposed SPFC rate was excessive.

D. Conclusion.

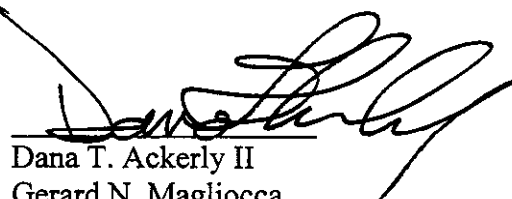
For all of the above reasons, The DMA expects to argue at the close of this case that the Commission should reject the OCA’s “rate stability” proposal.

CONCLUSION

As discussed above, The DMA expects to argue, upon the close of the record in this case, that the Commission should: (1) correct the Postal Service’s inflated revenue

requirement figures; (2) approve the Standard (A) institutional cost burden proposed by the Postal Service; (3) approve a 34-cent SPFC rate proposed by the Postal Service; and (4) reject the OCA's "rate stability" proposal.

Respectfully submitted,




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June 29, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Rule 12 of the Commission's Rules of Practice.


Dana T. Ackerly II

June 29, 2000

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