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

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POSTAL RATE AND FEE CHANGES, 2000

**TRIAL BRIEF
FOR
FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

Maxwell W. Wells, Jr.
Maxwell W. Wells, Jr., P.A.
P. O. Box 3628
Orlando, Florida 32802
Telephone (407)422-8250

Attorney for Florida Gift Fruit
Shippers Association

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TRIAL BRIEF FOR
FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

GENERAL

Florida Gift Fruit Shippers Association is a user primarily of Standard B – Parcel Post mail service. Its parcels have an average weight of approximately 25 pounds. It is a drop shipper, and delivers parcels to 32 postal facilities, including all 21 BMC's.

It is sponsoring one witness in this proceeding:

FGFSA-T-1 Joseph E. Ball

The testimony is directed to issues involving the development of costs and rates for parcel post.

DISTRIBUTION OF PURCHASED HIGHWAY TRANSPORTATION COSTS

TRACS is the sampling system used by the Postal Service to develop the quarterly distribution keys for the attributable costs of purchased highway transportation.

The interest of FGFSA is primarily in the transportation used for Intra-BMC and Inter-BMC movements.

There is a bias in the selection of sampling for Intra-BMC, in that 51% of the samples are taken on the in-bound trip, and only 49% are taken on the out-bound trip. The mail volume out-bound is considerably larger than the volume on the in-bound trip. This imbalance in mail volume is especially evidenced in the mail for Standard A and Standard B – Parcel Post, where the prevailing practice is to participate in drop shipping to obtain the discounts which are available, so the the mail volume on the out-bound trip is considerably higher than for the in-bound trip.

This bias makes the distribution keys developed by TRACS improper and should not be relied on for the distribution of the attributable costs, at least for Standard A and Standard B – Parcel Post mail volumes.

Other factors which negate the reliability of the TRACS data is the “expansion” process which expands the sampled mail for the empty space in the container and the vehicle at the time of the TRACS sample. This results in a greater “expansion” for mail sampled on the in-bound trip, than for mail sampled on the out-bound trip.

The TRACS data improperly and erroneously reflects samples of DBMC parcels on the in-bound trip of Intra-BMC trips and on Inter-BMC trips. Neither is possible, and demonstrates the unreliability of the TRACS data.

The TRACS data reflects samples for Parcel Post to be greater than DBMC for Intra-BMC trips. The actual volumes of Parcel Post and DBMC mail is the reverse, and the actual volume of DBMC is materially greater than Parcel Post. This further demonstrates the lack of representative data and the unreliability of the TRACS data.

FGFSA witness proposes that a new distribution key for Standard A, Standard B-Parcel Post and DBMC be based on the cubic feet of each category of mail, rather than the erroneous distribution keys developed by the TRACS data.

VARIABILITY OF HIGHWAY TRANSPORTATION COSTS

Attribution of costs must be founded on a causal relationship, to establish variability of changes in costs with changes in mail volume.

The variability of purchased transportation costs determined by USPS Witness Bradley, USPS-T-18, does NOT take into account mail volumes or changes in mail

volumes. These facts are essential to the determination of variability and attribution of costs. Without data on mail volumes and changes in mail volumes, witness Bradley does not show a reasonable method of determining variability, and his conclusions should not be accepted.

FGFSA proposes that the variability and attribution of purchased highway transportation cost be based on the vehicle utilization for Intra-BMC and Inter-BMC transportation, rather than on the unsupportable estimates of witness Bradley.

WEIGHT RELATED HANDLING COSTS

The proposed rate structure for parcel post includes a factor of two cents per pound to cover perceived weight related nontransportation handling costs.

In the absence of any study to identify or quantify the effect of weight on handling costs, there can be no justification for the use of the factor in the rate structure.

There are some costs, such as floor space and number of parcels in a container or sack, where the size or cube of the parcels could make a difference. Any such costs should be distributed on the curvilinear relationship between weight and cube which has been fully established and used for transportation costs.

FGFSA proposes that the rate factor be reduced from two cents per pound to one cent per pound, and that such costs be apportioned on the cube/weight relationship.

ASSIGNMENT OF INSTITUTIONAL COSTS

FGFSA contends that the method of applying a “mark-up” to attributable costs to distribute institutional costs fails to properly reflect the criteria of the Act and should be changed.

The method of distributing institutional costs improperly results in a discriminatory allocation of such costs to parcel post. Except for the expedited classes, such as priority mail and express mail, no other class of mail has a higher per piece contribution to institutional costs than does parcel post. This is not “right” or fair.

At a minimum, the “mark-up” should not be applied to purchased transportation costs.

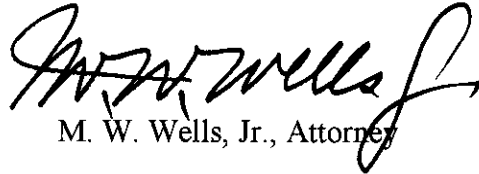
FGFSA contends that weight should not be a factor in determining the amount of the contribution to institutional costs.

FGFSA proposes that the process of allocating institutional costs begin with a uniform per piece allocation, to be adjusted upward or downward to reflect the ratemaking criteria of the Act.

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing has been mailed this date to all parties of record in accordance with the Rules of Practice.

Dated June 29, 1000.


M. W. Wells, Jr., Attorney