

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

RESPONSE OF UNITED STATES POSTAL SERVICE TO QUESTION RAISED AT
HEARINGS ON AUGUST 3, 2000

The United States Postal Service hereby provides its response to a question raised at the hearings on August 3, 2000 (witness Patelunas) at Tr. 35/16813, 16865-66.


The question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 15, 2000

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QUESTION: Chairman Gleiman requested the operating budgets for FY 1999, FY 2000 and FY 2001 (when approved). He requested more detailed, rather than aggregated, information, such as "volumes and costs by mail class." He requested what the Governors approve, "not some aggregated subset of what the Governors approve." Tr. 35/16813 and 16865-66.

RESPONSE:

When the Postal Service's Board of Governors approves the Postal Service's budget, what it specifically approves is a net income goal and a set of planning parameters that support that net income goal. The Board is not supplied with and does not vote on detailed operating plans. Detailed operating plans have typically not been completed at the time the Board votes on the budget.

Detailed operating plans represent management's tactics for operating the business. These plans are built by management to support the Board-approved budget, but are too detailed and dynamic to warrant Board approval. As a year progresses, the Board is regularly briefed on progress against the net income plan. Management also briefs the Board on highlights of its performance against the detailed operating plan, focusing on current areas of emphasis and interest.

The detailed operating plan is presented in multi-page reports filed 13 times a year with the Postal Rate Commission. These are the Financial & Operating Statements issued each accounting period. For the detailed operating plan, Postal Service management uses a flexible budget planning process so plans can best reflect the most current knowledge and information, such as the cost impacts of volume and non-volume workload changes and the impact of

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inflation on Postal Service costs. This means that although the Postal Service adheres to the broad budget parameters approved by the Board, operating plan details change on a continuing basis, for example, reflecting changed allocations to different postal functions and program changes.

As indicated, detail on the Postal Service's actual operating results and progress against supporting its overall net income goal are contained in the Financial & Operating Statements. Thus, for FY 1999, year-end operating result detail is contained in the Financial & Operating Statement for AP 13. For FY 2000, the operating results through AP 11 are contained in the most recent Financial & Operating Statement filed with the Postal Rate Commission on August 7, 2000. The Postal Rate Commission also receives account level detail in the National Consolidated Trial Balance, which is also filed every accounting period.

With regard to FY 2001, the Postal Service will provide the budget parameters approved by the Board, once such approval has been obtained. Operating result detail will be available in each AP's Financial & Operating Statement as the fiscal year progresses.

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.

A handwritten signature in cursive script, appearing to read "Susan M. Duchek", is written over a solid horizontal line.

Susan M. Duchek

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