

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 INTERROGATORY OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS PATELUNAS  
(OCA/USPS-ST44-52)

The United States Postal Service hereby provides its response to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-ST44-52, filed on August 11, 2000, and redirected from witness Patelunas.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
\_\_\_\_\_  
Susan M. Duchek

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(202) 268-2990 Fax -5402  
August 18, 2000

**Response of United States Postal Service  
to Interrogatories of  
Office of the Consumer Advocate  
(Redirected from witness Patelunas, USPS-ST-44)**

**OCA/USPS-ST44-52.** Please refer to your response to OCA/USPS-ST44-28(b). The August 7, 2000, issue of the *Business Mailers Review* reported that "Acting Chief Financial Officer Dick Strasser explained to *BMR* that the rate case-filing forecast of \$66 million has not changed. He sent a letter to the management committee reiterating that commitment."

- a) Please confirm that such a letter was sent by Mr. Strasser.
- b) Please provide a copy of the letter and any other documents related to Postal Service management's current expectation of net income or loss for FY 2000.
- c) If you do not confirm, please explain the origin of the information reported by *Business Mailers Review* and provide all documents related to the current position of Postal Service management on the original forecast that FY 2000 would finish with a net income of approximately \$66 million.\

**Response:**

- (a) Confirmed.
- (b) A copy is attached. As for the expectation of a net income or loss in FY 2000, although Postal Service management believes that there is a slim chance of a net income, it has in no way abandoned the objective of earning a net income. Earning a net income is a critical component of the Postal Service's FY 2000 incentive compensation plan. It is hoped that the possibility of achieving this objective will continue to motivate positive actions in the final weeks of FY 2000. But as witness Strasser states at page 5 of his rebuttal testimony, it "has appeared less and less likely as this year progresses that we will actually achieve a positive net income." Witness Strasser notes that through Accounting Period 11 the Postal Service is \$436 million behind its \$100 million net income plan. His testimony also indicates the Postal Service is not amending its Request to reflect these adverse financial results.
- (c) Not applicable.

ATTACHMENT  
OCA/USPS-5744-52

FINANCE



July 25, 2000

#### MANAGEMENT COMMITTEE

The Business Mailers Review (July 24) quotes me at the MTAC meeting as saying that our goal of \$100 million in net income is "at risk." It goes on to say that I could have been more candid than that, "...since the USPS has gone on record in the rate case as projecting a loss. In its response to the Postal Rate Commission's Order No. 1294, the Postal Service says it expects to end this fiscal year with a net income loss of \$325 million."

To clarify, we have not changed the rate case FY 2000 net income forecast. Our filing projected a net income of \$66 million, consistent with the \$100 million net income plan. That remains our official position and commitment.

However, Postal Rate Commission Order No. 1294 required the Postal Service to update its rate case projections for actual FY 1999 attributable costs. It also allowed us to reflect the impact of adverse factors such as inflation for fuel, COLAs and additional Workers' Compensation expense, much of which will continue into next year. The \$325 million loss mentioned in the Business Mailers Review is a reflection of the impact of these adversities. This gives us an indication of the magnitude of the challenges we have taken on this year in terms of revenue shortfall and unplanned expense growth.

Concerted management action, with a surge in revenue in Accounting Periods 12 and 13 (better than 3 percent), still make it possible to end the year with a positive net income.

A handwritten signature in black ink, appearing to read "R. Strasser, Jr.", written over a horizontal line.

Richard J. Strasser, Jr.  
Acting Chief Financial Officer  
Executive Vice President

cc: Vice Presidents, Area Operations

## 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 black ink, appearing to read "Susan M. Duchek", is written over a solid horizontal line.

Susan M. Duchek

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