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POSTAL SERVICE
OFFICE OF THE CHIEF FINANCIAL OFFICER

September 1, 2000

Mr. Edward J. Gleiman
Chairman
Postal Rate Commission
1333 H Street, N.W., Suite 3000
Washington, DC 20268-0001

Dear Chairman Gleiman:

The Postmaster General asked me to respond to your letter of August 9 concerning the Postal Service's response to Commission Order No. 1294 in Docket No. R2000-1. As you are no doubt aware, my recent rebuttal testimony at the Commission related to the matters raised in your letter.

In my written rebuttal testimony and my statements made at the hearing on August 31, I confirmed that the Postal Service has not changed its labor negotiating policy. The Postal Service continues to seek wage changes at least one percent below the Employment Cost Index (ECI).

My rebuttal testimony noted that the Postal Service's request reflected wage increase estimates for the new contracts amounting to ECI minus 2.1. Because of the effect of incorporating more recent inflation information, had we not changed the basis for our labor cost estimates, the Order No. 1294 update would have reflected an unrealistic assumption that the funding for new contracts would be greater than three percentage points below ECI. Our response to Order No. 1294 followed the Commission's directive that the Postal Service could incorporate "such other updates as it believes will more accurately reflect test year results."

I appreciated the opportunity to appear before the Commission and address these matters.

Sincerely,

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: Mr. Henderson