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POSTAL RATE COMMISSION  
OFFICE OF THE PRESIDENT

PRESIDING OFFICER'S  
RULING NO. R2000-1/146

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes

Docket No. R2000-1

PRESIDING OFFICER'S RULING  
GRANTING TRANSCRIPT CORRECTIONS

(Issued September 20, 2000)

This ruling grants the motions to adopt transcript corrections and approves the proposed transcript corrections filed by participants, with the modifications listed later in this ruling.

There have been no objections to the motions to adopt transcript corrections or proposed transcript corrections filed in this proceeding. The following motions are granted and corrections approved as filed.

|            |   |
|------------|---|
| Volume 27  | United Parcel Service, filed September 6, 2000.   |
| Volume 37  | United States Postal Service, filed August 30, 2000.  |
| Volume 43  | United States Postal Service, filed September 6, 2000.  |
| Volume 44  | Newspaper Association of America, filed September 6, 2000.  |
| Volume 45  | Office of Consumer Advocate, filed September 5, 2000.   |
| Volume 46A | Supplemental Notice of United States Postal Service Regarding Erratum to Volume 46A of the Transcript, Witness Dowling, filed September 14, 2000. |


In addition, with the modifications listed, the following motions are granted and transcript corrections approved:

- Volume 37 Parcel Shippers Association, filed August 29, 2000, page 26968 should read 16968; page 16976, line 23 should read page 16976, line 2.
- Volume 39 United States Postal Service, filed August 31, 2000, page 17692 should read page 17691.
- Volume 45 United States Postal Service, filed September 7, 2000, page 19949, line 9 should read page 19949, line 13.
- Volume 46A Notice of United States Postal Service Regarding Errata to Volume 46A of the Transcript, Witness Dowling, filed September 11, 2000, page 20512, line 12 should read page 20512, line 17.

Several pagination adjustments to Volume 46A to properly incorporate cross-examination exhibits also are appropriate. Specifically page 20269 should be renumbered as 20290B, and inserted after omitted page 20290A, which is Attachment A to this ruling; and current page 20321A should be renumbered as page 20321B to permit the insertion of the second page of OCA/USPS-RT1-XE #3, Attachment B to this ruling, as page 20321A.

#### RULING

Corrections to Transcript Volumes 27, 37, 39, 43, 44, 45, and 46A in Docket No. R2000-1 are granted as described in the body of this ruling.

  
Edward J. Gleiman  
Presiding Officer

## U.S. FORECAST SUMMARY

TABLE 1  
Summary for the U.S. Economy

|  | 1999:4 | 2000:1 | 2000:2 | 2000:3 | 2000:4  | 2001:1  | 1998   | 1999   | 2000   | 2001    | 2002    | 2003    | 2004    |
|--|--------|--------|--------|--------|---------|---------|--------|--------|--------|---------|---------|---------|---------|
| <b>Composition of Real GDP (Annual percent change)</b>   |        |        |        |        |         |         |        |        |        |         |         |         |         |
| Gross Domestic Product                                   | 7.3    | 5.5    | 3.6    | 2.7    | 3.0     | 3.0     | 4.3    | 4.1    | 4.7    | 2.8     | 3.4     | 4.6     | 3.8     |
| Final Sales  | 6.0    | 7.1    | 2.9    | 2.2    | 3.2     | 3.5     | 4.3    | 4.5    | 4.7    | 2.9     | 3.3     | 4.4     | 3.9     |
| Gross National Product                                   | 6.4    | 5.8    | 4.1    | 2.8    | 3.2     | 3.2     | 4.1    | 4.0    | 4.8    | 3.0     | 3.4     | 4.6     | 3.8     |
| Total Consumption  | 5.9    | 7.7    | 2.9    | 3.2    | 3.2     | 3.9     | 4.9    | 5.3    | 5.1    | 3.2     | 3.2     | 4.4     | 3.6     |
| Durable Goods  | 13.0   | 24.3   | -4.8   | 1.6    | 1.2     | 3.6     | 11.3   | 11.5   | 8.9    | 2.3     | 5.6     | 9.6     | 5.9     |
| Non-durable Goods  | 7.6    | 5.8    | 2.7    | 3.6    | 3.2     | 3.5     | 4.0    | 5.4    | 4.7    | 3.1     | 2.7     | 3.5     | 3.1     |
| Services   | 3.7    | 5.5    | 4.7    | 3.3    | 3.6     | 4.2     | 4.1    | 4.0    | 4.5    | 3.5     | 3.0     | 3.9     | 3.3     |
| Nonres. Fixed Investment                                 | 2.9    | 23.8   | 12.0   | 5.3    | 6.3     | 4.4     | 12.7   | 8.3    | 11.3   | 5.0     | 3.9     | 6.4     | 6.9     |
| Equipment and Software                                   | 4.0    | 24.7   | 10.6   | 6.5    | 7.3     | 5.7     | 15.8   | 12.0   | 12.6   | 6.0     | 4.8     | 7.5     | 7.6     |
| Computers  | 17.9   | 44.8   | 25.4   | 24.3   | 22.8    | 20.9    | 55.8   | 43.1   | 31.5   | 21.9    | 20.9    | 22.8    | 21.9    |
| Private Nonres. Structures                               | -0.5   | 20.6   | 16.8   | 1.5    | 3.1     | 0.2     | 4.1    | -2.4   | 7.3    | 1.8     | 0.9     | 2.9     | 4.6     |
| Buildings and Other                                      | -1.8   | 23.4   | 14.0   | 1.7    | 7.7     | 2.1     | 5.0    | -2.1   | 6.4    | 4.1     | 1.3     | 2.7     | 5.0     |
| Residential Fixed Investment                             | 1.8    | 5.2    | -3.1   | -8.4   | -4.2    | 2.4     | 9.2    | 7.4    | -0.5   | -0.4    | 3.2     | 5.9     | 3.8     |
| Exports  | 10.1   | 6.2    | 7.2    | 7.6    | 6.9     | 5.5     | 2.2    | 3.8    | 7.8    | 6.2     | 7.8     | 9.3     | 9.1     |
| Imports  | 8.7    | 11.7   | 11.9   | 8.8    | 5.5     | 6.3     | 11.6   | 11.7   | 10.9   | 7.0     | 5.6     | 7.9     | 7.8     |
| Federal Government                                       | 14.7   | -15.2  | 4.0    | -0.7   | 2.3     | 3.1     | -0.9   | 2.8    | -0.1   | 2.4     | 2.1     | 1.8     | 1.9     |
| State and Local Governments                              | 6.4    | 6.7    | 1.1    | 1.4    | 1.9     | 2.2     | 3.2    | 4.2    | 4.0    | 2.1     | 2.5     | 2.8     | 2.9     |
| <b>Billions of Dollars</b>                               |        |        |        |        |         |         |        |        |        |         |         |         |         |
| Real GDP (Chained 1996 \$)                               | 9037.2 | 9158.2 | 9239.7 | 9301.7 | 9371.3  | 9441.2  | 8495.7 | 8848.2 | 9267.7 | 9530.0  | 9850.8  | 10303.3 | 10694.4 |
| Gross Domestic Product                                   | 9507.9 | 9707.0 | 9864.5 | 9988.3 | 10130.2 | 10267.5 | 8760.0 | 9256.1 | 9922.5 | 10450.1 | 11004.2 | 11724.0 | 12410.7 |
| <b>Prices and Wages (Annual percent change)</b>          |        |        |        |        |         |         |        |        |        |         |         |         |         |
| GDP Price Index (Chain-Wt.)                              | 2.0    | 3.0    | 2.9    | 2.4    | 2.7     | 2.5     | 1.2    | 1.4    | 2.3    | 2.4     | 1.9     | 1.9     | 2.0     |
| CPI - All Urban Consumers                                | 2.9    | 4.0    | 3.1    | 2.9    | 2.5     | 1.9     | 1.6    | 2.2    | 3.2    | 2.2     | 1.8     | 1.9     | 2.1     |
| Excl. Food & Energy                                      | 2.3    | 2.3    | 2.8    | 3.0    | 2.8     | 2.4     | 2.3    | 2.1    | 2.4    | 2.5     | 2.1     | 2.1     | 2.3     |
| Producer Price Index - Fin. Gds.                         | 3.4    | 4.9    | 3.0    | 2.0    | 1.9     | 1.0     | -0.9   | 1.8    | 3.5    | 1.4     | 0.8     | 1.0     | 1.1     |
| Emp. Cost Index - Total Comp.                            | 4.0    | 5.9    | 5.3    | 4.8    | 4.3     | 4.0     | 3.5    | 3.2    | 4.8    | 4.3     | 3.6     | 3.6     | 3.8     |
| Output per Hour  | 6.9    | 2.4    | 3.1    | 1.8    | 2.6     | 3.2     | 2.8    | 3.0    | 3.5    | 2.8     | 3.7     | 3.8     | 3.0     |
| <b>Other Key Measures</b>                                |        |        |        |        |         |         |        |        |        |         |         |         |         |
| Industrial Production (% ch)                             | 5.3    | 6.4    | 7.0    | 0.5    | 2.1     | 1.2     | 4.3    | 3.5    | 5.0    | 1.6     | 2.1     | 4.4     | 4.1     |
| Nonfarm Inven. Accumulation<br>(Billion chained 1996 \$) | 72.3   | 34.0   | 43.2   | 56.1   | 53.5    | 42.4    | 73.2   | 42.4   | 46.7   | 39.1    | 44.1    | 62.1    | 56.6    |
| Consumer Confidence Index                                | 105.3  | 110.1  | 108.8  | 104.2  | 103.5   | 102.7   | 104.6  | 106.8  | 106.7  | 101.8   | 101.1   | 105.4   | 104.9   |
| Housing Starts (Mil. units)                              | 1.689  | 1.732  | 1.627  | 1.579  | 1.563   | 1.566   | 1.6    | 1.7    | 1.6    | 1.6     | 1.6     | 1.7     | 1.8     |
| Light-Vehicle Sales (Mil. units)                         | 17.0   | 18.3   | 17.3   | 17.0   | 16.7    | 16.5    | 15.6   | 16.9   | 17.3   | 16.4    | 17.1    | 18.9    | 19.4    |
| Unemployment Rate (%)                                    | 4.1    | 4.1    | 4.0    | 3.9    | 3.9     | 4.0     | 4.5    | 4.2    | 4.0    | 4.1     | 4.3     | 4.0     | 3.9     |
| Payroll Employment (% ch.)                               | 2.2    | 2.6    | 2.8    | 1.5    | 1.4     | 0.9     | 2.6    | 2.3    | 2.3    | 1.1     | 0.8     | 1.5     | 1.5     |
| Federal Budget Surplus<br>(Unified, CY, bil. \$)         | -20.6  | -15.0  | 192.2  | 57.9   | 54.4    | 41.4    | 54.4   | 158.3  | 289.6  | 223.8   | 209.5   | 222.1   | 251.9   |
| <b>Foreign Trade</b>                                     |        |        |        |        |         |         |        |        |        |         |         |         |         |
| Curr. Account Balance (Bil. \$)                          | -384.9 | -409.2 | -407.0 | -417.6 | -416.2  | -402.5  | -217.1 | -331.5 | -412.5 | -407.4  | -400.1  | -412.6  | -426.7  |
| Foreign Crude Oil (\$ per barrel)                        | 23.1   | 26.8   | 26.8   | 27.8   | 26.8    | 26.2    | 12.1   | 17.3   | 27.0   | 24.9    | 23.5    | 22.7    | 21.9    |
| <b>Financial Markets</b>                                 |        |        |        |        |         |         |        |        |        |         |         |         |         |
| Money Supply (M2, billion \$)                            | 4630   | 4700   | 4777   | 4847   | 4912    | 4974    | 4363   | 4630   | 4912   | 5163    | 5441    | 5742    | 6065    |
| Percent Change   | 6.1    | 5.7    | 5.9    | 6.0    | 6.1     | 5.8     | 8.5    | 6.1    | 6.1    | 5.1     | 5.4     | 5.5     | 5.6     |
| Thirty-Year Mortgage Rate (%)                            | 7.8    | 8.3    | 8.3    | 8.0    | 8.0     | 7.9     | 6.9    | 7.4    | 8.1    | 7.8     | 7.6     | 7.3     | 7.3     |
| Ten-Year Treasury Note Yield (%)                         | 6.1    | 6.5    | 6.2    | 5.9    | 5.9     | 5.9     | 5.3    | 5.6    | 6.1    | 5.8     | 5.6     | 5.4     | 5.4     |
| Treasury Bill Rate (%)                                   | 5.0    | 5.5    | 5.7    | 6.1    | 6.2     | 6.2     | 4.8    | 4.6    | 5.9    | 6.0     | 5.5     | 5.4     | 5.3     |
| Federal Funds Rate (%)                                   | 5.3    | 5.7    | 6.3    | 6.6    | 6.8     | 6.8     | 5.4    | 5.0    | 6.3    | 6.6     | 6.1     | 6.0     | 5.9     |
| Prime Rate (%)   | 8.4    | 8.7    | 9.3    | 9.6    | 9.8     | 9.8     | 8.4    | 8.0    | 9.3    | 9.6     | 9.1     | 9.0     | 8.9     |
| S&P 500 Stock Index                                      | 1373   | 1419   | 1447   | 1455   | 1539    | 1599    | 1084   | 1326   | 1465   | 1593    | 1637    | 1814    | 1919    |
| <b>Incomes</b>   |        |        |        |        |         |         |        |        |        |         |         |         |         |
| Personal Income (% ch)                                   | 7.973  | 8.100  | 8.243  | 8.361  | 8.474   | 8.600   | 7.359  | 7.792  | 8.295  | 8.754   | 9.193   | 9.733   | 10.295  |
| Real Disposable Income (% ch)                            | 6.440  | 6.463  | 6.538  | 6.598  | 6.649   | 6.723   | 6.107  | 6.349  | 6.562  | 6.800   | 7.047   | 7.361   | 7.626   |
| Saving Rate (%)  | 1.8    | 0.3    | 0.7    | 0.8    | 0.8     | 0.9     | 3.6    | 2.4    | 0.7    | 0.9     | 1.2     | 1.2     | 1.1     |
| Profits After Tax (% chya)                               | 15.0   | 13.3   | 13.0   | 6.2    | 3.4     | -3.4    | -2.9   | 8.8    | 8.9    | -2.2    | 7.6     | 14.4    | 6.1     |

The field budget receives the largest increase at \$2.3 billion. Although total salaries and benefits grew in the field by 4.6 percent, total work hours are planned to decrease one percent below FY 1999. This will be the largest decrease in hours since FY 1979 and the first decrease in work hours since FY 1992. Program savings and significant productivity improvements are driving the decreases. An increasing amount of work sharing by our business partners is also a factor in the decrease. Most field units have made a head start on the FY 2000 targets by scaling back complement and reducing work hour and overtime usage in the last two quarters of FY 1999.

Headquarters administrative costs include expense of headquarters organizations and the field service units. Headquarters administrative plans will be \$2 million below FY 1999 levels. Components of the headquarters budget include a \$32 million, or 81 percent, increase in the inspector general's budget submission that is pending Board approval and a \$34 million decrease in all other

headquarters administrative activities. Strategies to achieve this reduction include an overall seven percent reduction in non-personnel expenses and a complement reduction of 500 positions.

|                      | FY 1999<br>Estimate | FY 2000<br>BUDGET | Change  | % Chg  |
|----------------------|---------------------|-------------------|---------|--------|
| Field                | 50,035.6            | 52,381.7          | 2,346.1 | 4.7%   |
| Headquarters         | 1,416.8             | 1,414.8           | -2.0    | -0.1%  |
| Programs & CWA       | 3,233.3             | 2,788.0           | -445.3  | -13.8% |
| Servicewide          | 5,070.4             | 5,713.3           | 588.3   | 11.6%  |
| Corp. Transportation | 2,723.9             | 2,786.2           | 62.3    | 2.3%   |
| Interest Expense     | 215.0               | 240.0             | 25.0    | 11.6%  |
| Total Expense        | 62,695.0            | 65,324.0          | 2,629.0 | 4.2%   |

Program and corporatewide

activity costs will be \$445 million, or 13.8 percent below FY 1999 levels. Each program has been reviewed and prioritized. Continuing the FY 1999 management challenge initiative, many of the major programs will be scaled back or delayed to meet our net income target.

The 11.6 percent increase in servicewide activity is driven primarily by two factors. FY 2000 servicewide expenses include \$172 million to recognize the incremental cost of an extra workday. This is caused by the government fiscal year (GFY) being 366 days long (due to leap year), while the postal fiscal year (PFY) remains 364 days. The revenue associated with the additional workday in the GFY is included in the revenue plan. The remainder of the servicewide expense increase is driven by a \$227 million increase in annuitants' retirement and health benefits costs.

Corporate transportation growth includes inflation and workload, but is held in check by over \$100 million in program reductions. These reductions will not impede attainment of Voice of the Customer service goals, which will be maintained.

To gain a different perspective on the FY 2000 operating plan, expense growth can be examined by component. Personnel expense makes up the largest growth segment of the FY 2000 operating plan, at \$2.3 billion. Unlike previous years, FY 2000 growth in salaries and benefits is

|                | 1999 Est | 2000 Plan | Change | % Chg |
|----------------|----------|-----------|--------|-------|
| Personnel      | 47,324   | 49,658    | 2,334  | 4.9%  |
| Nonpersonnel   | 10,735   | 10,822    | 87     | 0.8%  |
| Transportation | 4,421    | 4,604     | 183    | 4.1%  |
| Interest       | 215      | 240       | 25     | 11.6% |
| Total Expense  | 62,695   | 65,324    | 2,629  | 4.2%  |

the result of labor contracts, health benefits and other pay related expense drivers, not a growth in work hours. Non-personnel is growing at only \$87 million, or 0.8 percent—well below the rate of inflation. This growth has been kept in check by workload