

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON DC 20268-0001**

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

**POSTAL RATE AND FEE CHANGES, 2000**

**) Docket No. R2000-1**

**JOINT REPLY BRIEF  
OF  
MAIL ORDER ASSOCIATION OF AMERICA,  
ASSOCIATION FOR POSTAL COMMERCE  
AND  
DIRECT MARKETING ASSOCIATION, INC.  
CONCERNING STANDARD MAIL A POUND RATES**

**Due: September 22, 2000**

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**BEFORE THE UNITED STATES  
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POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

**A. Introduction**

The lower pound rates proposed for Standard Mail A in this proceeding represents the third time that the Postal Service has sought this important rate design change. In the absence of concluding that the Postal Service is deliberately pursuing a self-destructive rate design for Standard Mail A, it must be assumed that this persistence is attributable to a rational decision by the Postal Service that the rate design change is important. Pound rates that are at least closer to costs associated with weight are required simply because rates should be fair and equitable. They are also required to permit the Postal Service to be in a reasonably competitive position for a class of mail, Standard Mail A ECR, facing fierce competition.

The breadth of mailer support for the proposed pound rates is significant. All of the associations representing Standard Mail A mailers support the Postal Service's proposed pound rates through testimony and in their Initial Briefs. The Association for Postal Commerce, the Direct Marketing Association, Inc., the Mail Order Association of America and the Saturation Mail Coalition all strongly support the Postal Service proposal. Collectively, those Associations represent all but a small fraction of mailers making use of Standard Mail A. Further, they represent mailers at every level of presort, entry level and mail volumes. They represent mailers who make use of both

the Regular and ECR subclasses; who enter their mail at origin facilities, or destination BMC, SCF or DDU facilities; who do not make use of automation and who do not make use of automation; and who mail at the Basic, High Density and Saturation levels. This broad support represents a recognition that the proposed pound rate design is fair and equitable, well supported by the evidentiary record and necessary to the future of the Postal Service.

We do not argue that the mere fact that the proposed pound rates are supported by virtually all affected mailers in itself means that the rates should be accepted by the Commission. We do most strenuously argue, however, that this unanimity of support should be an important factor in the Commission's decision. The issue of rate design, as opposed to rate level, is obviously one in which the views of users are not entitled to deference by the Commission. The users of any mail class will favor lower rather than higher rates, and unanimity in that situation has little significance. Here, however, when the issue of rate design is so clearly separated from overall rate levels, the views of the users of the Standard Mail A subclasses are entitled to considerable weight. This has been recognized by the Commission.

The Commission recognizes the near unanimous agreement among intervenor users of Standard Mail for the rates proposed by the Service and for the formation of an Enhanced Carrier Route subclass. The objections that have been raised are from intervenors perceived primarily as competitors to the Service or mailers using classes of mail other than Standard. While the Commission is not recommending the Enhanced Carrier Route subclass solely on the basis of mailer support, it is a factor that has been weighed with the other evidence.

PRC Op. MC95-1 at V-195.

The approach enunciated by the Commission in MC95-1 should be applied in this proceeding. The parallels between the situation in MC95-1 and in this proceeding

are striking. Specifically, the “objections” to the pound rates in this proceeding have come from “intervenors perceived primarily as competitors” (NAA and AAPS) and mailers whose sole use of the mail is confined to below the break point pieces (*Val Pak et al*).<sup>1</sup> The only other potential player in this drama, the OCA, has chosen the path of agnosticism.

The opponents of the rate design rely upon two general issues in support of their attempt to defeat cost-based pound rates. NAA and AAPS claim that factor 4’s “competition” element should be used to protect their members as “competitors” of the Postal Service. Their approach fails to take account of the Commission’s well settled interpretation that the purpose of the factor is to protect competition; not competitors. *See, e.g. Direct Marketing Association v. United States Postal Service*, 778 F.2d 96, 106 (2<sup>nd</sup> Cir. 1985).

Further, they have even failed to provide any evidence to support their claim that the proposed rates would harm them as competitors. No evidence of competitive harm was advanced by the associations in their direct cases. Fragmentary evidence was provided by AAPS’s spokesman about his, newspaper-owned, alternative delivery operation. Additionally, pursuant to discovery requests, NAA provided data that shows that newspaper insert volumes that compete with the Postal Service have continued to grow steadily. As discussed in our Initial Brief at 24-26, this alone should lead the Commission to draw the adverse inference that had data been provided it would have been adverse to the claims of competitive injury. Additionally, the two competitor

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<sup>1</sup> Newspaper Association of America (NAA) Association of Alternate Postal Systems (AAPS) and Val-Pak Direct Marketing Systems, Inc., *et. al* (*Val Pak*).

Associations and Val Pak have continued their well rehearsed, but off key, song that we do not have sufficient data to make a judgment about the effect of weight upon costs.<sup>2</sup>

In sum, the only opposition to the proposed pound rates comes from competitors, either competitors of the Postal Service as a whole – AAPS and NAA – or competitors of other Standard A mailers – Val Pak *et al.* That does not mean that the Commission should ignore any valid and probative evidence that may be put forward by those parties, but it also is a fact that should be weighed by the Commission, as was done in MC95-1.

The attacks upon USPS witness Daniel's cost study from the above parties are grouped into two categories: (1) data "thinness" and (2) the supposed need to identify costs with precision at every level of entry, sortation and shape. If the degree of precision urged upon the Commission by the competitive forces were to be insisted upon for the design of rates for all classes and subclasses, the already massive evidentiary record compiled in the course of this, or any rate proceeding, would become even more massive. The Postal Service has done more than enough to demonstrate that the proposed pound rates are more than ample to recover pound-related costs. No more should be required. Competitors can, and do, design their rates at will, on a customer specific basis, with no concern about whether a particular rate is, or is not, supported by costs. To continue to permit competitors to tie the Postal Service into knots on every occasion in which it attempts to achieve reasonable rate designs,

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<sup>2</sup> Val Pak confines its mail to letter-sized pieces below the 3.3 ounce break point. Thus, its interests presumably are: (1) that of a competitor to other Standard A mailers that Val Pak believes might be able to compete for some traffic if Standard Mail A pound rates were set at levels more nearly cost-based or (2) that of a mailer that believes that the maintenance of high pound rates will serve to lower or dampen increases in the flat rate that they enjoy for all mail weighing up to 3.3 ounces. The nature of Val Pak's interests and whether its position is a product of one or both of the above factors, has not been delineated on the record.

particularly with respect to subclasses of mail that are as vital to the Service's future as Standard Mail A, is a recipe for disaster. The time has come to approve the proposed pound rates.

**B. Consistency May Be The Hobgoblin Of Little Minds, But The Lack Thereof Is Informative.**

Witness Haldi, testifying on behalf of Val Pak, is supporting a pound rate structure which at the saturation level results in virtually a one to one relationship between increases in weight to increases in rates. The net result is that the rate for a single 8 ounce piece is virtually double the rate for a 4 ounce piece. One need not be particularly expert to recognize that this makes no sense. It is also striking that witness Haldi, in testimony on behalf of the Association of Priority Mail Users, Inc., APMU-T-1, is proposing a flat rate of \$3.00 for all priority mail weighing less than 16 ounces and \$3.75 for all priority mail pieces weighing between 1 and 2 pounds. We are aware that the costs of each class and subclass must stand on their own and be analyzed on their own, but it is perfectly obvious that supporting a flat rate, i.e. a rate that totally ignores pound-related costs for all pieces weighing up to 1 pound, and a rate that would increase by only 25 percent with the doubling of weight, is wholly inconsistent with witness Haldi's position on Standard Mail A pound rates. Even his support for rates that increase only 25 percent with a doubling of weight, was given with great reluctance because of witness Haldi's fear that it will do competitive damage to the Postal Service. *Id.* at 66. The existing Standard Mail pound rates represent a much greater competitive disadvantage to the Postal Service.



Further, singularly lacking in witness Haldi's testimony on behalf of APMU is any suggestion that the Postal Service ought to engage in an intricate engineering cost study to determine the exact effect of weight on costs. Clearly, however, the Postal Service has done a much more extensive and complete job of analyzing the effect of weight upon costs for Standard Mail A than has been done for Priority mail. Why the insistence upon an extraordinary level of precision in one subclass, and no concern about any level of precision in the other?

**C. Val Pak's Attempts To Escape Reality Fail.**

In its Initial Brief, Val Pak launches a broadside seeking to discredit the evidence of both the Postal Service and the parties' testimony demonstrating that the Postal Service's proposed pound rate is conservative. The attack fails.

Val Pak's Initial Brief grossly distorts the testimony of witness Daniel upon which the proposed pound rates are based. Her testimony uses the same fundamental approach for determining the impact of weight on costs for Standard Mail (A) and Periodicals. If, therefore, her testimony is not accepted for Standard Mail A it inevitably follows that it cannot be accepted as the basis for establishing the pound rates for Periodicals.

Witness Daniel's testimony, however, is more than adequate for establishing the pound rates for Standard Mail A and Periodicals. Contrary to Val Pak's accusation, she has not presented a "smorgasbord" of approaches. Instead, she has presented a focused, carefully conducted study that provides a fully adequate basis for establishing pound rates. As she testified:

The results of the weight analysis presented in this testimony are intended to guide rate design by providing a *general* indication of the effect weight has on total volume variable costs. They are not necessarily intended to be an *exact* quantification of costs for every individual weight increment. Isolating the effect of weight on cost is very difficult because weight is rarely the only characteristic that varies between different mail pieces. The shape, origin/designation combination, cube, and level of presorting and dropshipping of mail can affect the cost of mail. In general, shape changes from mostly letters to mostly flats and parcels as weight increases. Cube also tends to be proportional to weight, especially for paper-based products like letters and flats. Origin and destination pairs may be different for pieces of various weight. Other cost drivers such as the level of presorting, customer bar coding, dropshipping, and mail preparation vary across weight increments. Some volume data exists to quantify the mix of different shapes and work sharing levels at each ounce increment and are presented in USPS-LR-I-102. However, data does not exist to control for differences in origin/destination combination or mail preparation. Thus, while it is possible to analyze the data for guidance in rate design, it is difficult, if not impossible, to isolate precisely the impact of weight on costs or identify the exact unit cost of each ounce increment for three of the major classes of mail.

USPS-T-28 at 3, 4. (emphasis in original).

The Commission should examine what witness Daniel actually did, rather than paying attention to opponents' characterizations of what she did. As shown on her Table 3, the development of unit costs for both piece-rated and pound-rated Standard Mail A shows a reasonable and anticipated relationship and supports the rates proposed for pound-rated Standard Mail A. USPS-T-28 at 17.

Witness Moeller also uses the data in a persuasive manner to demonstrate that a change in rate design is drastically needed in order to bring about cost-based rates. He explains that a "straight-forward analysis that can be performed with the new cost data is a comparison of implicit cost coverages for piece-rated pieces and pound-rated pieces." USPS-T-35 at 20.<sup>3</sup> Because data are not available at the 3.3 ounce break

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<sup>3</sup> In a footnote witness Moeller acknowledges that cost coverages are not required for subcategories of subclasses but "in this instance estimates of implicit coverage can be illuminating." *Id.* at 20.

point he instead uses a 3.0 and a 3.5 ounce break for the purpose of comparing unit costs and implicit coverages for piece-rated and pound-rated mail above and below those two dividing lines. On a before rates basis, the implicit coverages for piece-rated mail are substantially lower than the implicit coverages for pound-rated mail. As should occur if the rate design is proper, the “after-rates figures show that the relative cost coverages converge with the proposed pound rates.” *Id.* at 21.

Much of Val Pak’s brief is devoted to attempting through various irrelevant approaches to discredit the testimony of witness Crowder, whose testimony shows that the Postal Service’s cost study, adjusted for varying degrees of presort and other factors, continues to demonstrate that the proposed rates are conservative and overstate the effect of weight upon costs. Her approach may be a “smorgasbord,” but it is one that offers some real meat. Val Pak’s deluge of words fails to obscure the persuasive support offered by witness Crowder’s analyses.

In this brief, however, we will simplify Val Pak’s dilemma. The regressions presented in the rebuttal testimony of MOAA, *et al* witness Prescott offer compelling validation of the Postal Service’s proposal, as confirmed by USPS witness Bozzo. Val Pak mischaracterizes the nature of witness Bozzo’s testimony. Val Pak Initial Brief at 41. The brief portrays witness Bozzo as taking the position that regression models are irrelevant and even goes so far as to suggest that it is witness Bozzo’s testimony that all regression results “should be ignored.” *Id.* at 42. That is not what witness Bozzo said, nor is it the position of the Postal Service. See USPS Initial Brief at VII-178. In his prepared testimony witness Bozzo testified that the approach of witness Haldi “simply highlights the undesirability of excessive reliance on those individual point estimates

that are subject to relatively high sampling variation – which witnesses Fronk and Moeller have avoided by considering only trends and relationships among the data.” Tr. 44/19470. In a footnote he also observes that it would be possible to “employ a technique such as regression to estimate the underlying cost relationship from the ‘noisy’ detailed data.” *Id.* at 19470. He also testified that you could use a regression analysis such as that performed by witness Prescott “to inform that relationship, or to inform the pricing decision.” Tr. 44/19512. That is precisely what MOAA *et al*/ witness Prescott did in his rebuttal testimony. Tr. 44/19278ff.

His regression analyses, performed separately for the Regular and ECR subclasses, deliberately used the entire range of weights and all data for those ranges, i.e. all “noisy” data regardless of point of entry or condition of presort. As stated by witness Prescott, “in order to evaluate the impact of changes in cost due to changes in weight, you should look at the whole range zero to 16 ounces, because the rates are tied together in a package for the whole subclass so that the rates below the break point are also linked to the rates above the break point.” Tr. 44/19358. The result is a statistically valid analysis of the effect of weight on changes in costs. The analysis, *inter alia*, shows that the cost per pound for the Regular subclass is larger than the cost per pound for ECR mail, an expected result given the greater presortation and depth of dropshipping that characterizes ECR mail.

Val Pak’s Initial Brief discusses witness Prescott’s regression analysis at pages 38-40, but the point of the discussion is mysterious. Further, Table 4 on page 39, is presented in a wholly misleading way. The purpose of the regression analysis was to combine all of the possible mixtures of sortation and entry points to demonstrate that

there is a consistent and reliable relationship between increases in weight and increases in costs for varying types of mail. It was neither presented nor intended as an indication of what the precise rate should be for any particular piece of mail at any particular weight. Applying a cost coverage to any particular weight, including a mail piece weighing 16 ounces, and then arguing that that is the “indicated rate” for that piece of mail, as Val Pak has done, has little meaning.

In fact, Val Pak’s Table 4 demonstrates that the comparisons show nothing of significance. The “indicated rate” for a 16 ounce piece of ECR mail is 48.14 cents. Under the Postal Service’s proposal the rate would be 63.9 cents.<sup>4</sup> Obviously, the proposed ECR rate is much higher than the “indicated rate” of 48.44 cents calculated by Val Pak. Even the rate for the lowest-rated ECR mail piece would be 47.8 cents.<sup>5</sup> In other words, this lowest cost ECR mail would have a rate only slightly below the average “indicated rate” for all types of ECR mail. Fifty-four percent of ECR mail is entered at the Basic rate and dropshipped no further than the SCF. A piece of mail with those characteristics would have a rate of 53.1 cents, i.e. a rate far above the “indicated rate” of 48.44.

In sum, Val Pak’s brief presents no data that is useful to the Commission in assessing the reliability of witness Daniel’s cost study. Instead, the cost study should be used and analyzed on the basis for which it was presented by witness Daniel and used by witness Moeller. When viewed from a proper prospective, it is clear that the proposed pound rates are well within the bounds of pound costs. They should be accepted by the Commission in this proceeding.

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<sup>4</sup> Basic with no destination entry.

<sup>5</sup> Saturation piece entered at the DDU.

**D. The Arguments of the Newspaper Association of America Are Self-Contradictory, And Wrong.**

**1. Introduction.**

The Newspaper Association of America's (NAA) Initial Brief is a remarkable document. A review of the principal arguments found in the brief demonstrates that, in the words of the brief itself, the overall position of NAA "does not pass the laugh test." NAA Initial Brief at 21.

- The brief portrays newspapers as "valued customers" Initial Brief at 3. The only significant use of the mail from NAA members is of Standard Mail A ECR. Despite this role as a "customer," the role of NAA before the PRC has been to support every cost allocation approach and theory that would increase Standard Mail A's attributable costs and every theory of cost assignment under the pricing factors of the Act that would increase Standard Mail A ECR rates.
- NAA argues that the Postal Service and the Commission owe a Constitutional duty to protect newspapers as competitors of the Postal Service. *Id.* at 1, 3, 4. Specifically, NAA argues that under the First Amendment the Postal Service is precluded from pricing its products at any level that NAA asserts, rather than supports with testimony, would cause harm to the newspapers.

The newspapers come before the Commission claiming that their role as the "press" gives them a special place that precludes the Postal Service from taking any pricing action that they assert might cause them competitive harm. They claim, in

effect, that the mere assertion that a particular rate design will do damage should, in itself, cause the Commission to reject the Postal Service's proposal. The NAA's interpretations of the Constitution and the Postal Reorganization Act are whimsical. The Act does require that ECSI value be taken into account in the pricing of postal services. The Commission has done so to the maximum possible extent by establishing a cost coverage for Periodicals of 101 percent. The Act does not, however, require the Postal Service to perform self-immolation at the request of the press.

NAA's argument that the Postal Service's attempt to reasonably price its products are unconstitutional because such results allegedly might "impair or reduce [the press'] advertising revenue" is truly extreme. Acceptance of the approach would necessarily mean that the Postal Service should simply abandon Standard Mail A ECR Saturation in its entirety.

NAA's views are also in strange contrast with its close ally, AAPS, whose witness White complains bitterly that the Postal Service's and the Commission's pricing of Periodicals, a part of the "press," has unfairly deprived his business of revenues.

## **2. NAA's Arguments Are Self-Contradictory.**

NAA is also caught in a peculiar conundrum of its own making. While making the somewhat breathtaking constitutional claim that the Postal Service must ensure that its products are priced in a way that will not deprive newspapers of advertising revenues, NAA sponsored the testimony of witness Wilson whose testimony claims that for the most part the newspapers are not in competition with the Postal Service. He described as "the essence of my testimony" a statement that when a business "chooses to use

your service [the Miami Herald plus a TMC product] rather than a service which is using exclusively the mail, you're simply not in competition." Tr. 44/19258. This served to reinforce witness Wilson's direct testimony where he stated: "Newspapers should be viewed as postal competitors only when they run an alternative delivery of their own to deliver the TMC product." *Id.* at 19137. He also testified that: "Almost all large papers now use the mail, and not alternate delivery." *Id.* at 19137.

An examination of this approach reveals that the Commission, if it is to take NAA witness Wilson at his word, is now free to totally disregard prior NAA interpretations of that portion of factor 4 that deals with "enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters" as it applies to newspapers. If the Commission decides that the newspapers need help in carrying out their First Amendment responsibilities, one way of doing that would be to lower the rates for Standard Mail A ECR because this would enable the newspapers, through their TMC programs, to prosper even more than they already are. The benefits would be even broader because, at least in the case of the Miami Herald, the only way to obtain the use of the Herald's TMC product is to also use the Herald's subscriber distribution. As described by witness Wilson, the TMC product is simply another competitive tool employed by the newspapers' to induce advertisers to use the newspapers subscriber circulation for distribution of advertising products. To obtain the TMC product, delivered through the mails, they must also use the Herald's subscriber distribution. Tr. 44/19251.

If, therefore the Commission is to give any credence to the extraordinary constitutional theories advanced by NAA, the best thing to do would be to lower



Standard Mail A ECR rates. That would enable the newspapers to offer, in the words of witness Wilson a “blended” rate i.e. a single rate taking into account both newspaper subscriber circulation and the TMC rate. Tr. 44/19156. This would help newspapers to make even larger profits to assist in their editorial endeavors.<sup>6</sup>

### **3. NAA’s Constitutional Arguments Do Not Hold Water.**

It is presumably the recognition by NAA that they have utterly failed to produce any evidence to support the proposition that Standard Mail ECR rates should be increased by consideration of factor 4, that NAA has now shifted such heavy emphasis to a constitutional argument, relying on *Grossjean v. American Press Co.*, 297 U.S. 233 (1936). As practitioners of some duration in the proceedings before this Commission, the below-signed counsel are grateful for the possibility of ascending to the realm of constitutional theory. *Grosjean*, however, has nothing to do with the proposition for which it is cited. *Grosjean* involved a state tax directed specifically and only at newspapers. The Court, after an examination of the history of taxation, including the English newspaper stamp tax, found that the narrowly targeted tax in issue could not pass constitutional muster. The Court concluded that the tax was constitutionally impermissible because “in the light of its history and of its present setting, it is seen to be a deliberate and calculated device in the guise of a tax to limit the circulation of information to which the public is entitled in virtue of the constitutional guarantees.” *Grossjean* at 250.

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<sup>6</sup> Witness Wilson confirmed that Knight Ridder, the owner of the Miami Herald, had operating revenues of \$3.2 billion and income of about \$624 million. *Id.* at 19178.

In making its finding, however, the Court also recognized that nothing it had said should “suggest that the owners of newspapers are immune from any of the ordinary forms of taxation for support of the government.” *Id.* at 250. Similarly, there is nothing to suggest that the newspapers are immune from any of the ordinary forms of competition regardless of whether the competition comes from the Postal Service or any other governmental entity.

**4. NAA Ignores Pricing Issues For A Majority Of The Standard Mail A ECR Subclass.**

In its brief, NAA concedes that the only portion of Standard Mail A ECR with which it is concerned is Standard Mail A ECR at the Saturation level. NAA Initial Brief at 2. Only 40 percent of Standard Mail A ECR, however, is mailed at Saturation rates. ECR mail at the Basic level comprises 54 percent of the subclass and High Density 6 percent. Tr. 4/1219. NAA also concedes that its interest in the proceeding is limited to saturation mail that is entered above the break point i.e. mail that weighs in excess of 3.3 ounces. NAA initial brief at 2.

NAA, however, offers no advice to the Commission as to how this should effect its pricing decisions. In other words, even if the Commission were to accept all of NAA's arguments, constitutional and otherwise, the Commission would still be left with the fact that as applied to the majority of ECR mail, the current rates cannot be justified under NAA's approach to pricing.

## **5. Summary.**

In general summary, the newspapers have advanced a convoluted and unintelligible definition of competition which places the greater portion of its business i.e. all advertising material delivered to its subscribers, as not being in competition with the Postal Service, and has also stated that the rest of its product, the TMC product, is predominantly delivered by mail, which logically would mean that they would favor lower Standard Mail A ECR rates. Nevertheless, NAA argues, both as a matter of the requirements of the Postal Reorganization Act and the Constitution, that the Commission is obligated to set much higher Standard Mail A ECR rates. The Postal Service's Standard Mail A pound rate proposal, however, is sound both constitutionally and under the provisions of the Postal Reorganization Act.

There has also been no showing by either NAA or AAPS that the rates, at either existing or proposed levels, cause any significant competitive harm. The cause of "competition" as opposed to the cause of "competitors" will be advanced by allowing the Postal Service to be able to attract some reasonable proportion of heavier weight Standard Mail A ECR pieces that are now being priced out of the Postal Service.

### **E. AAPS' Brief Lacks Substance.**

In its Initial Brief the Association of Alternate Postal Systems (AAPS) continues in the vein of its testimony in this case by placing as much emphasis on what it deems to have been the establishment of unduly low Periodical rates as it does to any argument about the rates for Standard Mail A. If AAPS's complaint is to be given credence, the

answer would be higher rates for Periodicals. Given the fact that the Postal Service has proposed a cost coverage of only 101 percent, Periodicals provide a much more fertile ground for relief to both AAPS and NAA's complaints than does Standard Mail A ECR with a cost coverage of 208 percent.

AAPS' brief is somewhat less alarmist than NAA about the fate of the alternate delivery industry. AAPS's claim is limited to a contention that the alternative delivery industry is "in equilibrium." AAPS Initial Brief at unnumbered page 3. AAPS, in common with NAA, has made no attempt to produce testimony supporting any claims that either the newspapers or the alternative delivery industry are in trouble. As explained in MOAA *et al's* Initial Brief, this failure to come forward with data that is obviously at their disposal should result in the adverse inference that such data would prove the opposite of the associations' claims.

AAPS attempts to excuse itself from producing any data concerning volume, prices or the effect of weight upon prices that would serve to validate its wholly unsubstantiated claims about competitive harm by claiming that it is the Postal Service's burden to produce such evidence. Initial Brief at 6, 7. Try as it might, however, AAPS cannot shift to the Postal Service the burden of showing the competitive harm which it asserts.

AAPS takes the Postal Service to task for not using the SAI study for the purpose of preparing the Postal Service's case. The issue of what the SAI study may or may not show with respect to alternative delivery will be addressed in a separate MOAA brief filed under seal in accordance with the Commission's rules. The principal issue, however, remains the fact that those claiming the right to lower rates as a result of

factor 4 have deliberately failed to provide any facts upon which the validity of their claim of competitive harm could be validated.

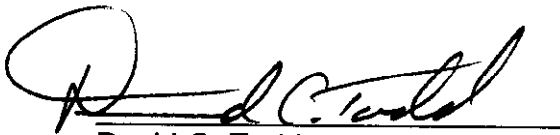
**F. The Pound Rates For Other Classes and Subclasses Of Mail Indicate That The Proposed Pound Rates For Standard Mail A ECR Are, If Anything, Too High.**

The rates for other classes of mail are less affected by weight than are the Standard Mail A proposed rates. We recognize that there are distinctions in handling the various types of mail that do not permit a conclusion that the pound rates for one particular type of mail are in all ways comparable to Standard Mail A. Nevertheless, the consistent pattern in which weight has a far smaller effect upon Postal Service rates than the effect of weight upon Standard Mail A rates is persuasive evidence that the Standard Mail A proposed rates are not only reasonable, but continue to be aberrational.

For example, a 300 percent increase in weight for Express Mail results in only a 30.50 percent increase in rates (P.O. to Addressee rates). A 100 percent increase in the weight of Periodicals (from 4 to 8 ounces outside county), results in only a 24 percent increase in rates (50 percent advertising, zone 5). This is particularly significant because Periodicals have handling characteristics that are similar, and virtually identical in the case of catalogs, to pound-rated Standard Mail. Similarly, for Bound Printed Matter a doubling of weight from 2 to 4 pounds results in only a 33.5 percent rate increase. For parcel post entered at the destination DDU a doubling of weight from 2 to 4 pounds results in only a 2.03 percent rate increase. The plain fact of the matter is that either the pound rates for Standard Mail A ECR are out of line or the pound rates for the other classes and subclasses are out of line.

**G. Conclusion.**

The Initial Briefs of NAA and AAPS have failed to provide any basis for rejecting the proposed Standard Mail A pound rates. Therefore, for the reasons discussed in this and our Initial Brief those rates should be approved.



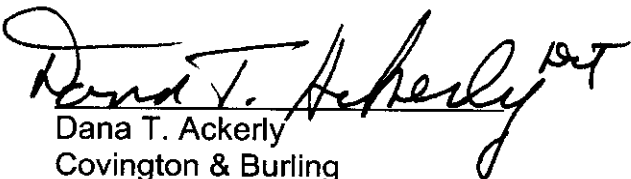
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CERTIFICATE OF SERVICE

I hereby certify that I have caused this Brief to be served upon all participants in this proceeding in accordance with Section 12 of the rules of practice this twenty-second day of September, 2000.

A handwritten signature in black ink, appearing to read "D. C. Todd", written in a cursive style.

David C. Todd

Due: September 22, 2000