

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

ASSOCIATION OF PRIORITY MAIL USERS, INC.  
COMMENTS REGARDING UNITED STATES POSTAL SERVICE'S  
MEMORANDUM ON RECONSIDERATION  
(January 12, 2001)

Pursuant to Order No. 1301, the Association of Priority Mail Users, Inc., ("APMU") hereby files comments regarding the United States Postal Service's December 20, 2000 Memorandum on Reconsideration and Request for Expedition. APMU has also joined as part of the coalition organized by the Direct Marketing Association, Inc., and these views are in addition to that coalition's comments.

On November 13, 2000, the Postal Rate Commission issued its Opinion and Recommended Decision in Docket No. R2000-1, recommending rates and fees for all domestic postal products and special services. On December 4, 2000, the Board of Governors of the United States Postal Service allowed the Recommended Decision to take effect, under protest, and returned it to the Commission for reconsideration. In response, the Commission issued Order No. 1301 on December 11, 2000, providing formal notice to participants in Docket No. R2000-1 that the Governors had returned the docket for reconsideration, and establishing procedures for the reconsideration process.

On December 20, 2000, the Postal Service filed its Memorandum on Reconsideration and Request for Expedition (hereafter "USPS Memo"). Constructing further arguments for a larger contingency, the Postal Service paints a picture of doom, with costs rising sharply and revenues considerably under plan. Referencing the testimony of witness Zarnowitz concerning

the state of the economy, the Postal Service cites a number of recent events as further evidence that “the sky is falling.”<sup>1</sup> The record is now closed, and yet the Postal Service attempts to place before the Commission much extra-record evidence. Reading the USPS Memo could lead one to believe that all uncertain events, if they come to fruition, have a negative impact on the Postal Service’s bottom line. However, the Postal Service’s representations to the Commission do not reflect, and are inconsistent with, certain other recent events occurring after the record was closed in Docket No. R2000-1 (but during the test year), as well as representations made recently by Postal Service management. Without any desire to re-open the record, a look at recent events shows how contingencies are sometimes favorable.

For example, on Wednesday, January 10, 2001 the Postal Service announced the signing of its new contract with FedEx, which Postmaster General William Henderson stated on January 11 would result in \$1 billion annually in cost savings.<sup>2</sup> Given termination of the Emery PMPC contract on January 7 (placing an end to the Postal Service’s hemorrhaging expenditures on that particular contract), and the new cost savings announced by the Postal Service, Priority Mail and certain other classes of mail should see significant per-piece reductions in cost during the remaining months of the test year (and continuing into subsequent years).

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<sup>1</sup> USPS Memo at 19-20, referencing statements by the Federal Reserve Open Market Committee, the President-elect and the Vice-President elect.

<sup>2</sup> Melissa Campanelli, “USPS-FedEx Deal Could Rein in Future Rate Increases,” DM News, January 12, 2001.

With respect to its argument that “there is no doubt that the economic tide which propelled the Postal Service to financial success in recent years is receding” (USPS Memo at 20), the Postal Service fails to mention that **inflationary pressures**, including the effect on COLAs, **recede** during recessions. An example of the Postal Service’s one-sided outlook is provided by consideration of the *USPS Five-Year Strategic Plan, FY 2001-2005*, which, discussing assumptions and the outlook for future mail volume, states (at p. 17):

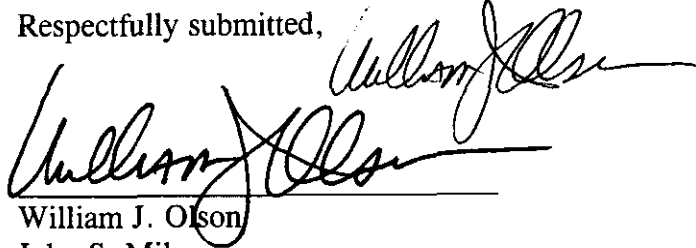
Most external experts expect a rapid diversion scenario, where diversion will occur more rapidly and will also affect Standard A volumes, as interactive Internet advertising reduces traditional direct mail and catalogs. In this scenario, mail volume is affected sooner and declines to about 188 billion pieces in 2008.

The USPS Memo fails to note that much of the recent weakness in the economy, especially the stock market, has been caused by the melt-down of many so-called dot-com stocks, some of which have ceased to exist, and with more thinning of marginal firms expected. Hardest hit have been certain business-to-consumer Internet companies. In conjunction with these rapid-fire changes in that sector of the economy, Internet advertising has fallen quite sharply. The deflation of the Internet stock bubble will likely alter the *Five-Year Strategic Plan’s* rapid diversion scenario — meaning that future Postal Service volume trends likely will be better than this scenario suggests.

The contingency in an omnibus rate case filing is designed to provide flexibility to address the **net impact** of things that “go wrong.” However, as was pointed out during the hearings of Docket No. R2000-1, and shown again above, events not foreseen or taken into account at the time the record closed can “go right,” as well.

It is submitted that the Postal Service has failed to demonstrate from record evidence why reconsideration of this docket should result in any change in the Recommended Decision of November 13, 2000.

Respectfully submitted,



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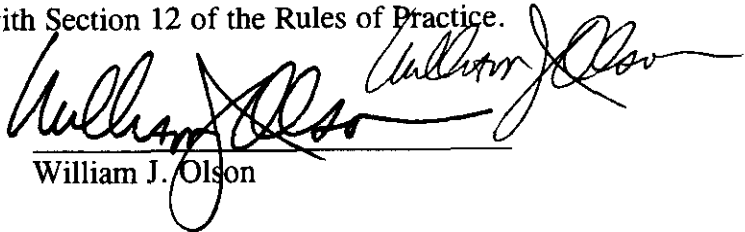
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CERTIFICATE OF SERVICE

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.



William J. Olson

January 12, 2001