

# LOCKET SECTION

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

## COMMENTS OF THE UNITED STATES POSTAL SERVICE IN ACCORDANCE WITH ORDER NO. 1305

On March 5, 2001, the Governors of the United States Postal Service (Governors) acted on the Opinion and Further Recommended Decision of the Postal Rate Commission in Docket No. R2000-1. The Governors exercised their authority under 39 U.S.C. § 3625(c) to reject the Further Recommended Decision and directed the Postal Service to resubmit its request for further reconsideration by the Commission.

On March 9, 2001, the Commission issued Order No. 1305, noticing the resubmission and soliciting participants' comments on the issues before it, including comments on three questions specifically posed by the Commission. The Postal Service believes that the issues before the Commission have already been comprehensively addressed by the Governors in their Decisions and by the Postal Service in its briefs and previous pleadings in this proceeding. The Postal Service will not repeat those positions here, but will address the three questions posed by the Commission.

1. Can the Commission Lawfully Recommend Higher Rates as Requested by the Governors?

The Postal Service's fundamental and consistent position in this and previous cases has been that the Commission should recommend rates that satisfy the revenue

requirement determined by the Board of Governors in making its initial Request. The Postal Service also argued in the alternative in this case, that, if the Commission determined to recommend rates based on an updated revenue requirement, it must comprehensively use all updated information on the record and must not interfere with any management prerogative in so doing. In its Opinion and Recommended Decision in Docket No. R2000-1, the Commission chose to make significant changes in the revenue requirement, based in part on the updated information it ordered the Postal Service to provide. Based on this record, the Governors determined that the Commission changed the revenue requirement in ways that were inconsistent with the Governors' authority over the financial policy of the Postal Service. The Governors then asked the Commission to reconsider those parts of its changes that they found inconsistent.

In the past, the Commission has performed updates that resulted in lower rates than the Board originally requested. In this case, the Governors' view of the record developed before the Commission leads them to conclude that the record supports higher rates than the Postal Service originally requested. The Postal Service sees no legal or procedural impediment to the Commission's recommending rates that meet the revenue requirement that the Governors have found to be supported on the record before the Commission.<sup>1</sup>

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<sup>1</sup> In fact, in Docket No. R84-1, the Commission "made an overall increase to the Postal Service's revenue requirement of \$368.1 million." PRC Op., R84-1, Vol. 1, at 95 (September 7, 1994).

2. Should the Commission recommend higher rates as requested by the Governors?

In elaborating on this question, the Commission indicates that its primary concern in this regard is its belief that the Governors' request for reconsideration is "obviously predicated on their access to information on current postal finances." Order No. 1305, at 3. The Postal Service would like to clarify the role that current information plays in statements made by the Governors and in pleadings filed by the Postal Service since the first Recommended Decision was issued. Neither the Governors nor the Postal Service are asking the Commission to make a further Recommended Decision on the basis of extra-record evidence. In this case, the need for expedition militates against accepting the delay that would be inherent in re-opening the record to consider more recent information.

More fundamentally, however, the Postal Service believes that the record established before the Commission supports the Governors' finding without the need for any more current information. The Postal Service and the Governors have made use of more recent information simply to point out that the Postal Service's position in the case has been borne out by the passage of time. We are not asking the Commission to, and it need not, rely on the more current information, because it can base a further recommendation on the evidence that exists in the record in support of the Postal Service's view. The Commission had taken the position that the views presented by others of the Postal Service's financial position and the state of the economy were more reasonable than the Postal Service's. In light of the fact, however, that it never found the Postal Service's view to be unreasonable, the Commission is free to reconsider and determine that the Postal Service's view was reasonable and provides a basis for the

revenue requirement determined by the Governors. In fact, the Commission has already done this with regard to supervisor costs. In its Opinion and Further Recommended Decision at 16, the Commission reversed its original decision to disallow certain supervisor costs stating, "the Commission views its earlier conclusion that cost reduction programs will achieve proportionate declines in test year supervisor costs as premature and thus questionable."

The Commission itself has used more current information than that on the record as a measure against which to evaluate a conclusion it otherwise drew from the record.

In its first reconsideration in Docket No. R90-1, the Commission noted:

The actual 1990 volume figures show that Tolley's model, with the positive 0.6391 percent adjustment, predicted First-Class letter volume almost perfectly. This fact was not the reason that Tolley's personal volume estimates were rejected; however, it provided a check to assure that the Commission's decision was not seriously inconsistent with known results.

Opinion and Further Recommended Decision, Docket No. R90-1, Appendix I, at 54 (May 24, 1991). Similarly here, recent events strongly suggest that the Commission's initial determination to lower rate levels by reducing the contingency provision has proven to be "seriously inconsistent" with the objective of safeguarding the Postal Service's financial integrity.

3. How should higher rates be developed?

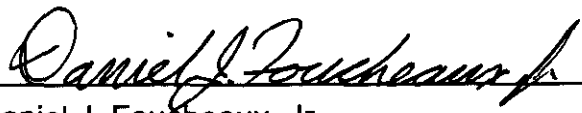
In posing this question, Order No. 1305 (at page 4) acknowledges that the Postal Service has already provided its views on this topic in its comments filed on December 20, 2000, in the course of the first reconsideration. Those views appear on pages 22-26 of that pleading. The Postal Service has not altered its views, and need not burden the Commission and the parties by repeating them here. To the extent that the

Commission did include higher rates and fees for Bound Printed Matter and Certified Mail with its second Recommended Decision, those recommendations appear to have been in the right direction and otherwise in accordance with reasonable rate design and rate policy objectives.

Respectfully submitted,

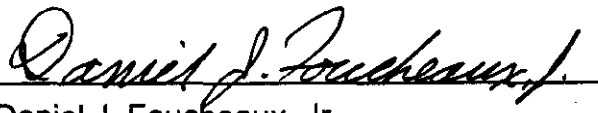
UNITED STATES POSTAL SERVICE

By its attorney:

  
Daniel J. Foucheaux, Jr.

#### 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.

  
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