

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

Docket No. R2000-1

Reply Comments Of Major Mailers Association

Pursuant to Order No. 1305, Major Mailers Association ("MMA") submits the following brief comments in reply to one misleading assertion in the Postal Service's Initial Comments. Specifically, in support of its claim that the Commission can increase the Postal Service's revenue requirement in this case, the Service (IC at 2, fn 1) quotes the Commission's statement in R84-1 that it had "made an overall increase to the Postal Service's revenue requirement of \$368.1 million." The Service's reliance upon that statement is misplaced for at least two reasons.

First, it appears that in R84-1, the Commission raised the revenue requirement but did not raise any rates as a result. That distinguishes the R84-1 situation from the situation presented here, where the Postal Service is urging the Commission to increase the revenue requirement so that rates can be raised further, *after-the-fact*.<sup>1</sup> For this reason alone, the snippet taken out of context from the Commission's R84-1 Recommended Decision provides no support for the relief the Postal Service is seeking in this case.

Second, the Postal Service's use of the quoted statement is extremely misleading. In R84-1, Commission confronted what it termed "the most crucial aspect of this rate decision" --whether it should revise the Postal Service's mail volume projections when actual data demonstrated that those projections were *materially* understated (especially for presorted mail, which was understated by approximately 11.5 billion pieces). Op. R84-1 at 97. In R84-1, the Commission properly increased the relevant mail volumes for the test year. That change, in turn, required an increase in the Service's nominal revenue requirement because a substantial portion of the related costs is attributable, i.e. the costs vary directly with changes in volume. In other

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<sup>1</sup> As discussed in MMA's Initial Comments (at 5), what the Governors are asking for now is at odds with the Postal Service's original position before the Commission.

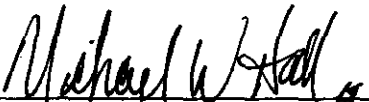
words, the Commission's increase in the revenue requirement in Docket No. R84-1 was the *result* caused by an increase in the projected volume. In the instant case, the Governors have asked the Commission to raise the revenue requirement and then raise rates to meet that requirement. The two situations are completely different.

**Conclusion**

For these reasons, the Commission's statement in R84-1 provides no support for the Postal Service's suggestion that the Commission is free to increase the revenue requirement with impunity.

Respectfully submitted,

**Major Mailers Association**

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Dated: Round Hill, VA  
March 26, 2001

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all parties to this proceeding in compliance with Rule 12 of the Commission's Rules of Practice.

Dated this 26th day of March, 2001.

  
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Michael W. Hall