

MPA

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May 21, 1998

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The Honorable Sam Winters
Chairman
The Board of Governors
United States Postal Service
Room 10300
475 L'Enfant Plaza, S.W.
Washington, D.C. 20260



Re: Postal Rate and Fee Changes, 1997
(PRC Docket No. R97-1)

Dear Mr. Chairman:

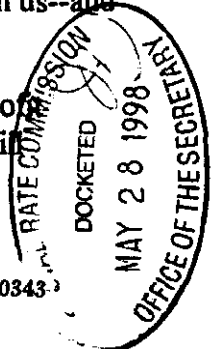
Pursuant to 39 CFR 9.2, the Magazine Publishers of America (MPA) hereby submits its comments with regard to the May 11, 1998 recommended decision of the Postal Rate Commission in the above-referenced proceeding.

MPA is the national trade association of America's consumer magazine industry. In concert with our Periodicals Coalition partners¹, MPA was an active litigant in this proceeding. At the outset, we wish to commend both the Postal Service and the Commission for their diligent prosecution of an exceptionally complex and difficult case.

In sum, MPA's position is as follows. Although not without reservation, we believe that the Governors should approve the decision. MPA further believes that the Board should not implement the new rates until January of 1999, at the earliest. That stated, we wish to offer these specific comments.

1. The Commission's decision and its accompanying opinion highlight the urgency of finding a solution to the mail processing cost problem which has plagued our members for over a decade. It was the overriding importance of this issue which forged the unprecedented alliance of MPA, ABP, and the other representatives of Periodicals mailers who jointly litigated this case in a unified and fully coordinated effort. Although the impact of the Commission's decision for Regular Periodicals is not substantially different overall from that which would have resulted from adoption of the rates proposed by the Postal Service, the cost issue remains unresolved. We are generally satisfied with the Commission's "bottom-line" decision. But it is not lost upon us--and

¹American Business Press, National Newspaper Association, Alliance of Nonprofit Mailers, Coalition of Religious Press Associations, Dow Jones & Co., The McGraw-Hill Companies, and Time Warner.



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should not be lost upon the Governors--that if the Commission had not decided (correctly, we believe) to (1) set Periodicals Regular cost coverage at a post-Reorganization Act low of 101 percent, and (2) reduce the revenue requirement, we would be facing significantly higher increases. Indeed, the Commission cited the unresolved cost issue as a primary reason for its coverage decision, while exhorting the Postal Service and the parties to investigate and resolve the problem once and for all. [Opinion and Recommended Decision, Volume 1, page 533.]

The time to begin the long-awaited joint Postal Service-Periodicals industry study of the issue is now. If we wait until preparation for the next rate case is underway, it will be too late to have a meaningful impact on that case. We sincerely appreciate the Commission's actions, but maintenance of a 1 percent mark-up is a slender thread upon which to hang our industry's hopes for the future.

Postal Service management and the industry have agreed to commence the study as soon as possible. We urge the Governors to give management all support necessary to ensure the success of this critically important endeavor.

2. MPA members who use the Nonprofit and Classroom Periodicals subclasses suffer the effects of the same, unresolved cost problem as do our Regular subclass users. Their difficulties were compounded in Docket R97-1, however, by, among other things, the unavailability of post-reclassification cost data. Nonprofit and Classroom now face average rate increases higher than those for their Regular counterparts. We urge that Nonprofit and Classroom Periodicals mailers be included in the joint study referenced above, and that the Governors direct Postal Service management to meet with MPA and with other appropriate industry representatives as soon as possible to formulate a plan for resolving the special Nonprofit and Classroom problems brought to light during this proceeding.

3. A highly technical, but extremely important, aspect of the mail processing cost issue arose for the first time in Docket R97-1, and it troubles us greatly. The Postal Service in this proceeding presented and relied upon wholly new and extremely complex attribution and distribution methodologies. MPA and its Coalition partners litigated the resulting issues aggressively, investing large amounts of time and significant resources. We supported the attribution methodology presented by Postal Service witness Bradley; and we were extremely disappointed in the outcome. We opposed, as presented, the distribution methodology advocated by Postal Service witness Degen. We were pleased that the Commission adopted a significant modification proposed by our Coalition, but we continue to question whether the Degen methodology as a whole was "ripe" for presentation to the Commission in this proceeding.

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Certainly, if the Commission is going to continue to adhere to its longstanding opinion that mail processing volume variability is 100 percent (an opinion it gave no sign of modifying in Docket R97-1), the distribution methodology should be totally reexamined in that context.

Nonetheless, we believe that abandonment of the Bradley methodology at this time would be a grave error. If the Governors choose to approve the Commission's recommended decision (as we believe they should), their accompanying statement should indicate strong dissatisfaction with the Commission's disposition of the volume variability issue and stress the Postal Service's determination to pursue the issue in the next proceeding. To that end, we also urge the Governors to direct Postal Service management to undertake an immediate review of the Bradley variability methodology, and to scrutinize the relevant portions of the Commission's opinion, with the goal of making a renewed presentation in the next proceeding that precisely targets the Commission's criticisms.

4. Finally, with regard to the implementation of the new rates, MPA--a founding member of the Mailers Council--adopts and supports the position being communicated to the Governors today by that body. For the reasons set forth by the Mailers Council, MPA urges the Board not to impose rate increases upon the Postal Services's customers until January of 1999, at the earliest.

Sincerely yours,

A handwritten signature in black ink, appearing to read "George Gross", written in a cursive, slightly stylized font.

George Gross

cc: Ms. Margaret P. Crenshaw, Secretary of the Commission
Daniel J. Foucheaux, Jr., Esq., Chief Counsel, U.S. Postal Service
Service List, Docket No. R97-1